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PRACTICAL BOOKKEEPING

A WORKING HANDBOOK OF ELEMENTARY BOOKKEEPING AND APPROVED MODERN METHODS OF ACCOUNTING, INCLUDING SINGLE PROPRIETORSHIP, PARTNERSHIP, WHOLESALE, COMMISSION, STORAGE, AND BROKERAGE ACCOUNTS

BY

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AMERICAN TECHNICAL SOCIETY
CHICAGO
1918

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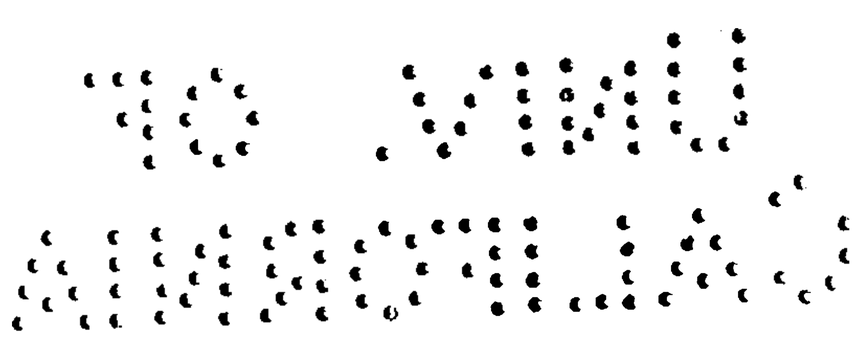

INTRODUCTION

THE importance of bookkeeping and its recognition as a vital factor of business is measured by the growth of business itself. As business has advanced, from the most primitive form of barter to the many and varied commercial and industrial undertakings of today, so has the art of bookkeeping been improved; and with every advancement in methods has come an increasing recognition of its importance.

¶ To the average layman the art of bookkeeping is shrouded in deepest mystery; while recognizing it as a necessary adjunct to an enterprise, it is, in his eye, but a confusion of mystic terms and symbols. But even slight study of the readily understood fundamental principles of bookkeeping will clear up the mystery, and cause books of account to reveal a story of amazing interest—the history of business itself.

¶ While many excellent works on the subject of bookkeeping have been published, there seems to be a demand for a treatise covering the fundamental principles in a form readily understood by both the student and the business man. This book is an attempt to meet the demand, at least in part, and it has been the aim of the author to present these principles, with sufficient practical examples and illustrations to make them clear, but without the dry technical details characteristic of many other excellent but more academic treatises. It is the hope of the author that this book may clear up some of the seeming complexities of the art of bookkeeping. The author makes grateful acknowledgment to the many professional accountants whose co-operation has been invaluable, and will appreciate any suggestions for its improvement that may be made by the readers of this book.

405435

A VIEW OF THE ACCOUNTING DEPARTMENT OF AN IDEAL COUNTRY BANK
The Citizens' Bank, Perry, N. Y

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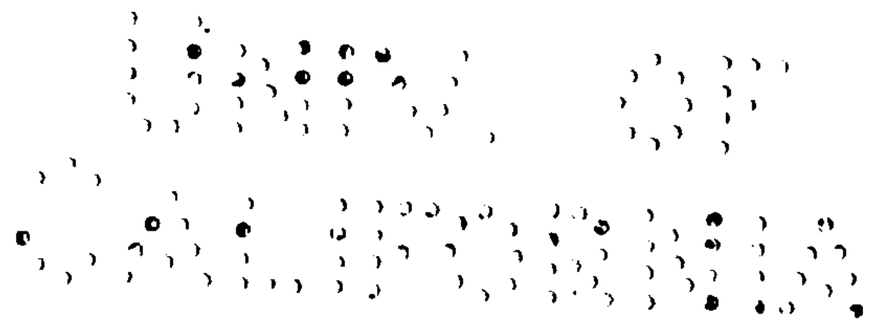
A WELL-LIGHTED ACCOUNTING DEPARTMENT ARRANGED FOR THE RAPID HANDLING OF A LARGE VOLUME OF WORK
Studebaker Bros. Mfg. Co., South Bend, Ind.



PART I

THEORY OF ACCOUNTS

Like every other special branch of study, the Theory and Practice of Accounts has its own special vocabulary of technical terms. In all literature of accounting and business methods, in general, these terms are frequently employed; and the student will find it not only advantageous, but in fact absolutely necessary, to familiarize himself thoroughly with their use.

The commercial terms and definitions in the following list are the ones most commonly used in business. Great care has been exercised in preparing a list that is practical, that is, which contains no unnecessary words, and in making the definitions as clear as possible.

DICTIONARY OF COMMERCIAL TERMS

Acceptance—When a draft or bill of exchange is presented to the payer, he writes across the face "Accepted" or "Accepted for payment at . . . " and signs his name. This operation is termed an acceptance.

Accommodation Note—A note which is given without consideration of value received; this is usually done to enable the payee to raise money.

Account—

(*a*) A statement of debits and credits.

(*b*) A record of transactions with a particular person or persons, or with respect to a particular object.

Account Books—Books in which records of business transactions or accounts are kept.

Account Current—An account of transactions during the present month, week, or other current period. An open account.

Account Sales—A statement in detail covering sales, expenses, and net proceeds made by a commission merchant to one who has consigned goods to him.

Accrued; Accrued Interest—

(*a*) Accumulated interest not payable until a specified date.

(*b*) Accumulated rent.

Hawkins & Co. Springfield, Ill.

1909				Dr.	1909			Cr.
Jan	2		f	14	100 00	Jan 7	c	9 150 00
	4		"	20	50 00			
	9		"	32	150 00			

Specimen Account

Acknowledgment—A certificate to the genuineness of a document signed and sworn to before an authorized official, as a Notary Public.

Administrator—One appointed by the court to settle an estate.

Ad Valorem—According to value. A term used to indicate that duties are payable on the value rather than on the weight or quantity of articles.

Adventure—As used in business, this term signifies a venture or speculation.

ACCOUNT SALES

OF Produce RECEIVED Jan. 4, 1909 VIA C. & N. W. Ry. FROM Henry James, Pella, Iowa TO BE SOLD ON his account and risk

RENDERED BY WATSON & HARRIS WATER ST. CHICAGO Jan. 9, 1909.

1909					
Jan	5	50 bbls apples	@ 2.75	137 50	
	6	10 " "	3.00	30 00	
	8	40 " "	2.90	116 00	283 50
		Charges			
		Paid freight and drayage		13 50	
		Commission on sales @ 3%		8 50	22 00
		Your net proceeds			261 50
		E. & O. E.			

Account Sales

Advice—Information with reference to a business transaction; notice of shipment; notice of draft. Transmitted by letter or telegram.

Affidavit—A statement or declaration made under oath, before an authorized official.

Agent—One authorized to act or transact business for another.

Agreement—A mutual contract entered into by two or more persons.

STATE OF ILLINOIS, }
COUNTY OF_____ } ss.

I,_____a Notary Public in and for the County and State aforesaid, do hereby certify that on the_____day of_____A. D. 190___, personally appeared before me_____

_____

_____

_____

to me personally known to be the same persons who executed the foregoing statement, and severally acknowledged that they executed the same for the purposes therein set forth.

In Witness Whereof, I have hereunto set my hand and seal, the day and year above written.

_____
Notary Public.

Acknowledgment

Allowance—An abatement; a credit for inferior goods, error in quantity, etc.

Annual Statement—A yearly summary of the transactions of a business.

Annuity—An amount payable to or received from another each year for a term of years or for life.

Antedate—To date a document or paper prior to or preceding the actual time of its execution.

Appraise—To place a value on goods or property. An estimate made for the purpose of assessing duties or taxes.

Appreciation—An increase in value. Real estate may increase in value on account of the demand for property in the immediate vicinity.

Approbation or *Approval Sales.* Goods delivered to customers with the understanding that if not found satisfactory they are to be returned within a definite period and without payment.

Articles—A collection of merchandise; parts of a written agreement, as "Articles of Association."

Arbitrate—To determine or settle disputes between two or more parties, as settlement of differences between employer and employees.

Assets—All of the property, goods, possessions of value of a person or persons in business.

Assign—To transfer or convey to another for the benefit of creditors.

Assignee—The person to whom the property or business is transferred. Usually acts as a trustee of the creditors.

Assignment—The debtor's transfer or conveyance of his property to a trustee.

Assignor—The debtor who makes an assignment, or transfers property for the benefit of creditors.

Association—A body organized for a common object.

Attachment—A legal seizure of goods to satisfy a debt or claim.

Auxiliary—Books of record other than books of original entry or principal books of account. Books used for purposes of distribution or the gathering of statistics are "auxiliary" books.

Audit—To verify the accuracy of accounts by examining or checking records pertaining thereto.

Average—As applied to accounts, the mean time which bills of different dates have to run, or an average due date for several accounts. Determining the due date is sometimes referred to as *averaging accounts.*

Balance—The difference between the debit and credit sides of an account. To close an account by entering the amount on the lesser side necessary to make the two sides balance.

Balance Sheet—A statement or summary in condensed form made for the purpose of showing the standing or condition of a business.

Balance of Trade—The balance or difference in value between the imports and exports of a country.

Bale—The form in which certain commodities are marketed. A bale of cotton, bale of hay, etc.

Bank Balance—The net amount to the credit of a depositor at the bank.

Bank Note—A note issued by a bank, payable on demand, which passes for money.

Bank Draft—An order drawn by one bank on another for the purpose of paying money.

Bank Pass-Book—A small book furnished to a depositor by his bank, in which are entered the amounts of deposits and sometimes the checks or withdrawals.

Bankrupt—A person, firm, or corporation whose liabilities exceed their assets; who are unable to meet their obligations.

Bill—A statement or record of goods bought or sold, or of services rendered.

CHICAGO, _____ 190__

To AMERICAN TECHNICAL SOCIETY, DR.

PUBLISHERS

CHICAGO, ILL.

Bill of Exchange—An order on a given person or bank to pay a specified amount to the person and at the time named in the bill. The term is more commonly used to apply to orders on another country, being made in triplicate.

Bill of Lading—A receipt issued by the representative of a common carrier, for goods accepted for transportation to a specified point and at a given rate. It is a contract, and, when transferred to a third party, becomes an absolute title to the goods.

Uniform Bill of Lading—Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27 1908.

_____ **Railroad Company.** Shipper's No. _____

STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE. Agent's No. _____

RECEIVED, subject to the classification and tariffs in effect on the date of issue of this Original Bill of Lading.

at Chicago, Ill., _____ 19__ From _____

the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from _____ to _____ is in Cents per 100 lbs.

IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	IF Special per _____	IF Special per _____

(Mail Address—Not for purposes of Delivery.)

Consigned to _____

Destination, _____ State of _____ County of _____

Route, _____ Car Initial _____ Car No. _____

No. Packages	Description of Articles and Special Marks	Weight (Subject to Correction)	Class or Rate	Check Column

If charges are to be prepaid, write or stamp here, "To be Prepaid."

Received $_____ to apply in prepayment of the charges on the property described hereon.

Agent or Cashier.

Per _____

(The signature here acknowledges only the amount prepaid.)

Charges Advanced:

$_____

_____ Shipper. _____ Agent.

Per _____ Per _____

(This Bill of Lading is to be signed by the shipper and agent of the carrier issuing same.)

Bill of Lading

Bill of Sale—A written document executed by the seller, transferring title to personal property.

Bill Head—The blank or form on which a bill is made. For illustration, see Bill.

No. 1

Philadelphia, October 1, 1902.

$_____

Thirty days after sight of this first of exchange (second and third of same tenor and date unpaid) pay to the order of

_____ $_____

_____Dollars, for value received, and charge the same to account of

To_____.

_____ _____

No. 2

Philadelphia, October 1, 1902.

$_____

Thirty days after sight of this second of exchange (first and third of same tenor and date unpaid) pay to the order of

_____ $_____

_____Dollars, for value received, and charge the same to account of

To_____

_____ _____

No. 3

Philadelphia, October 1, 1902.

$_____

Thirty days after sight of this third of exchange (first and second of same tenor and date unpaid) pay to the order of

_____ $_____

_____Dollars, for value received, and charge the same to account of

To_____

_____ _____

Bills Payable—Promissory notes and acceptances which we are to pay.

Bills Receivable—Promissory notes and acceptances which are to be paid to us.

Blanks—Papers or books ruled or printed in suitable form for business records.

Blotter—A book in which are entered memoranda of transactions which are later copied into other books. Also known as a *day book*.

Bond—A written agreement binding a person to do or not to do certain things specified therein. A negotiable instrument secured by mortgage or other security, binding the maker to pay certain sums on specific dates.

Bonded Goods—Goods stored in a government warehouse, or in bonded cars, bonds having been given by the owner for the payment of import duties or internal revenue taxes when removed.

Bonus—An amount paid in excess of the sum originally agreed upon. A premium or gift—for example, a sum paid to a salesman as extra compensation for making a certain number of sales.

Book Account—A charge or evidence of indebtedness on the books of account not secured by note or other written promise.

Brand—A class of goods. A symbol or name used to designate a specific article. A trade mark.

Broker—One who acts as agent or middleman between buyer and seller.

Brokerage—The commissions or fees paid the broker for his services. Also a term used to designate his business.

Bullion—Uncoined gold or silver.

Call Loans—Loans made payable on demand or when called for.

Cancel—To render null and void; to annul.

Capital—Property or money invested in a business.

Capital Stock—A term used to indicate the subscriptions of all stockholders to the capital of a corporation.

Cartage—The charges made for hauling goods by wagon, or otherwise than by freight or express.

Cash Sales—Sales for which immediate payment is received in contradistinction to sales of goods on credit.

Certificate of Stock—A written statement or declaration of the

Know all Men by these Presents,

THAT.....
of the.....*in the County of*.....
and State of.....*part of the first part, for and in consideration of the sum of*.....*Dollars, lawful money of the United States of America, to*.....*in hand paid, at or before the ensealing and delivery of these Presents, by*.....

.....

.....

of the second part, the receipt whereof is hereby acknowledged, ha granted, bargained, sold, and delivered, and, by these Presents, do grant, bargain, sell, and deliver, unto the said part of the second part, all the following GOODS, CHATTELS, and PROPERTY, to wit:.....

.....

.....

purchase of a specified number of shares of the capital stock of a corporation. An evidence of ownership.

Certified Check—A check, the payment of which is guaranteed by the bank on which it is drawn.

Charges—The expense involved in handling goods or in performing a specific act—as, for example, charges for storage, freight charges, etc. Also a synonym for *debits*.

Chart—A classified exhibit of the components of a business organization, showing the authority and responsibilities of the members. Grouping of the accounts of a business with respect to their relation to one another.

Charter—To hire a car, ship, or other instrument of transportation. A document defining the rights and duties of a corporation.

Check—An order on a bank to pay to a certain person, or to the order of such person, a specified sum, which sum is to be charged to the account of the drawer of the check.

Clearing House—An exchange established by banks in cities, for their convenience in making daily settlements. The checks and drafts on the different banks are exchanged without the formality of presenting them personally at each bank. A balance is found, and this amount only is paid in cash.

Closing an Account—Making an entry that will balance the account.

Collateral—Pledges of security—as stocks, bonds, etc.—to protect an obligation or insure the payment of a loan.

Commission—A percentage or share of the proceeds allowed for the sale of merchandise—as the pay of a commission merchant for selling a car of flour.

Commission Merchant—One who sells goods on commission. Similar to a broker.

Commercial Paper—Negotiable paper used in business.

Common Law—Law based upon the precedent of usage, though not contained in the statutes.

Company—A corporation; also used to designate partners whose names are not known.

Compromise—To settle an account for less than the amount claimed. To agree upon a settlement.

CERTIFICATE

No.

For Shares

Issued to

Dated 19

FROM WHOM TRANSFERRED

Dated 19

No. ORIGINAL CERTIFICATE	No. ORIGINAL SHARES	No. OF SHARES TRANSFERRED

Received CERTIFICATE No.

For Shares

this day of 19

This Certifies that

is the owner of Shares of the Capital Stock of

transferable only on the books of this Corporation in person or by Attorney upon surrender of this Certificate properly endorsed.

IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this day of A.D. 19

Certificate of Stock

Consideration—The price or money paid or to be paid which induces the entering into a contract by two or more persons.

Consignee—The party to whom goods are shipped. A person to whom goods are sent to be sold on commission is a consignee. The goods so sent are known as a *consignment*, and the sender is the *consignor*.

Consul—An agent of the Government, residing in a foreign part, who guards the interests of his own Government.

Contra—On the opposite side—as a contra account.

Contract—A written agreement between two or more persons to perform or not to perform some specified act or acts.

Contingent Assets and Liabilities—Resources or liabilities whose value depends upon certain conditions.

Contingent Fund—A sum put aside to provide for an anticipated obligation; a reserve fund.

Conveyance—A term used to describe certain forms of legal documents transferring from one person to another, title to property or collateral.

Copyright—A right granted to an author or publisher to control the publication of any writing, or the reproduction of a photograph, painting, etc.

Counterfeit—A spurious coin, or bank or treasury note.

Coupon—A certificate detached from a bond, which entitles the holder to the payment of interest.

Coupon Bond—Bonds to which are attached coupons calling for the payment of interest. The coupons, when detached, become negotiable paper.

Credentials—Letters or testimonials conveying authority.

Creditor—One whom we owe; one who gives credit.

Currency—The coin or paper money constituting the circulating medium of a country.

Debenture—A certified evidence of debt. See Bond.

Debit—To charge; to record an amount due.

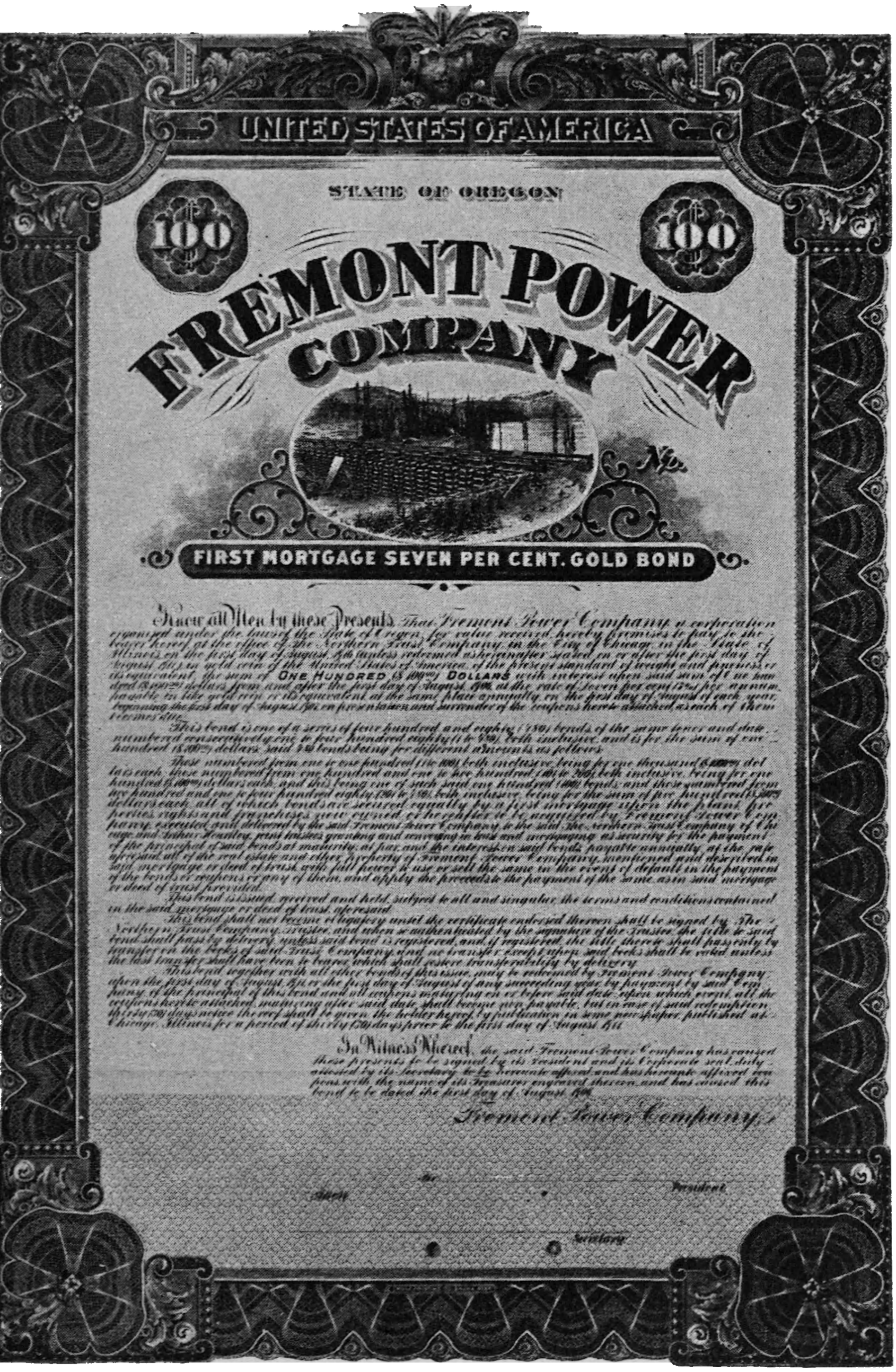
Deed—A written document or contract transferring title to real estate.

Defalcation—The appropriating to one's own use, of money intrusted to him by another; embezzlement.

Deferred Bonds—Bonds which are to be paid when some condition is fulfilled in the future.

Delivery Receipt—An acknowledgment of the delivery of goods. Largely used by merchants in the delivery of goods to customers.

Demand Note—A promissory note or acceptance payable on presentation or on demand.


UNITED STATES OF AMERICA

STATE OF OREGON

100 100

FREMONT POWER COMPANY

No.

FIRST MORTGAGE SEVEN PER CENT. GOLD BOND

Know all Men by these Presents, That Fremont Power Company a corporation organized under the laws of the State of Oregon, for value received, hereby promises to pay to the bearer hereof, at the office of The Northern Trust Company, in the City of Chicago, in the State of Illinois, on the first day of August, 1916, unless redeemed as hereinafter stated, on or after the first day of August, 1911, in gold coin of the United States of America, of the present standard of weight and fineness, or the equivalent, the sum of ONE HUNDRED ($100.00) DOLLARS with interest upon said sum of One hundred ($100.00) dollars from and after the first day of August, 1906, at the rate of Seven per cent (7%) per annum, payable in like gold coin or its equivalent at the same place annually on the first day of August of each year, beginning the first day of August, 1907, on presentation and surrender of the coupons hereto attached as each of them becomes due.

This bond is one of a series of four hundred and eighty (480) bonds of the same tenor and date, numbered consecutively one to four hundred eighty (1 to 480), both inclusive, and is for the sum of one hundred ($100.00) dollars. Said 480 bonds being for different amounts as follows:

These numbered from one to one hundred (1 to 100), both inclusive, being for one thousand ($1,000.00) dollars each; these numbered from one hundred and one to two hundred (101 to 200), both inclusive, being for one hundred ($100.00) dollars each, and this being one of such said one hundred (100) bonds; and those numbered from two hundred and one to four hundred eighty (201 to 480), both inclusive, being for the sum of five hundred ($500.00) dollars each, all of which bonds are secured equally by a first mortgage upon the plant, fee premises, rights and franchises now owned or hereafter to be acquired by Fremont Power Company, executed and delivered by the said Fremont Power Company to the said The Northern Trust Company of Chicago and Arthur Brantley, joint trustees granting and conveying in trust and mortgaging as security for the payment of the principal of said bonds at maturity, as fast and the interest on said bonds payable annually, as the same aforesaid, all of the real estate and other property of Fremont Power Company mentioned and described in said mortgage or deed of trust, with full power to use or sell the same in the event of default in the payment of the bonds or coupons or any of them, and apply the proceeds to the payment of the same, as in said mortgage or deed of trust provided.

This bond is issued, received and held, subject to all and singular, the terms and conditions contained in the said mortgage or deed of trust, aforesaid.

This bond shall not become obligatory until the certificate endorsed thereon shall be signed by The Northern Trust Company, Trustee, and when so authenticated by the signature of the Trustee, the title to said bond shall pass by delivery, unless said bond is registered, and if registered, the title thereto shall pass only by transfer on the books of said Trust Company, and no transfer except upon said books shall be valid, unless the last transfer shall have been to bearer, which shall restore transferability by delivery.

This bond, together with all other bonds of this issue, may be redeemed by Fremont Power Company, upon the first day of August, 1911, or the first day of August of any succeeding year, by payment by said Company of the principal of this bond and all coupons maturing on or before said date, upon which event all the coupons hereto attached, maturing after said date, shall become non-payable, but in case of said redemption thirty (30) days notice thereof shall be given the holder hereof by publication in some newspaper published at Chicago, Illinois, for a period of thirty (30) days prior to the first day of August, 1911.

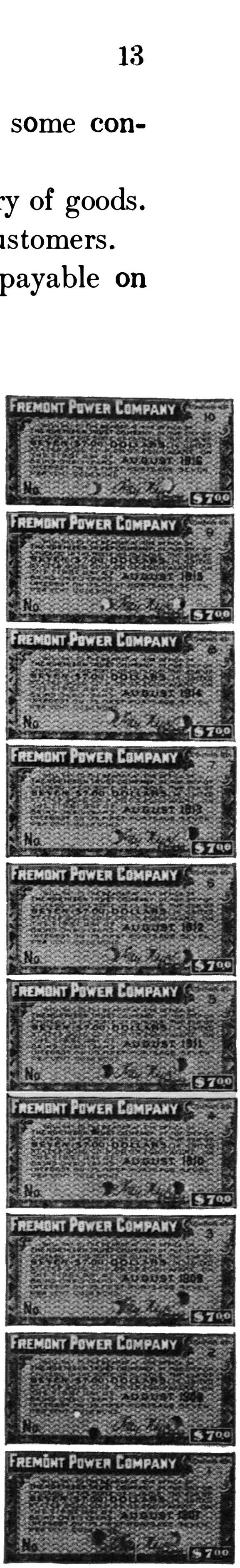
In Witness Whereof, the said Fremont Power Company has caused these presents to be signed by its President and its Corporate seal duly attested by its Secretary, to be hereunto affixed, and has hereunto affixed coupons with the name of its Treasurer engraved thereon, and has caused this bond to be dated the first day of August, 1906.

Fremont Power Company,

By _____ President.

Attest:

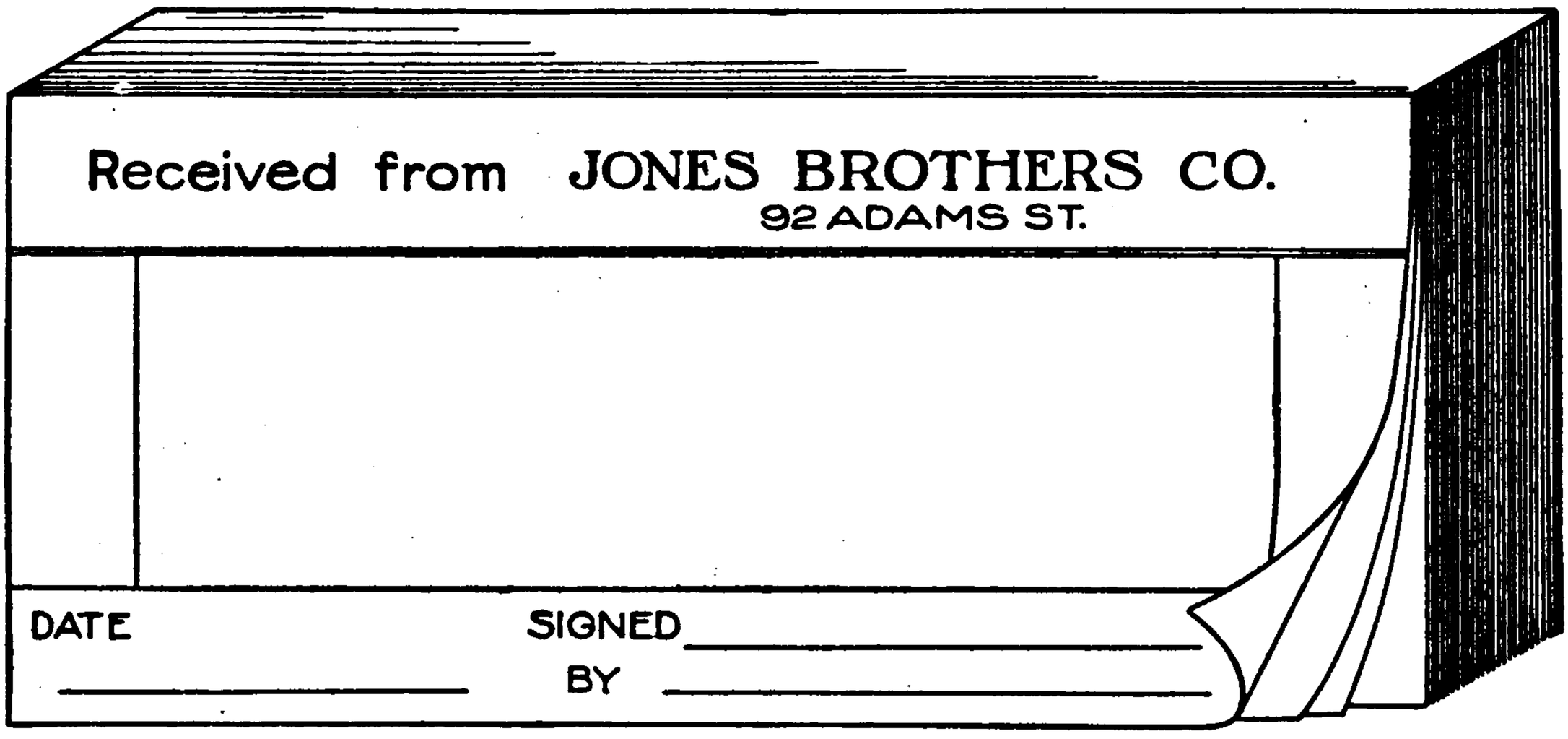
_____ Secretary.


FREMONT POWER COMPANY

No. $7.00

Deposit—The money placed in custody of the bank, subject to order.

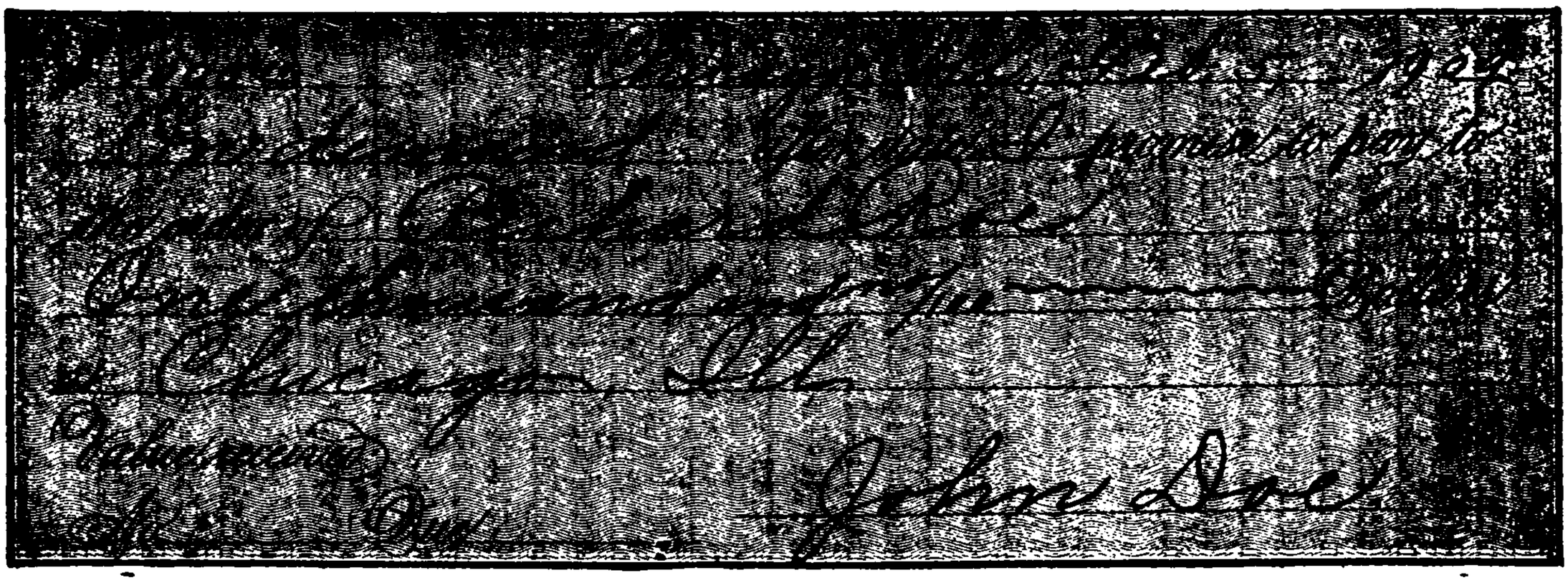
Depreciation—A reduction in the value of property. In a manufacturing plant, buildings and machinery depreciate in value through wear and tear; a residence property may depreciate owing to the nature of a nearby building.



Delivery Receipt

Discount—An allowance or abatement made for the payment of a bill within a specified period. The interest paid in advance on money borrowed from a bank.

Dishonor—Refusal to accept a draft, or failure to pay a written obligation when due.



Demand Note

Dividend—The profits which are distributed among the stockholders of a corporation.

Draft—A written order for the payment of money—usually made through some bank.

Drawer—The person by whom the draft is made; the one who requested the payment of money by the drawee.

Drayage—Synonymous with cartage.

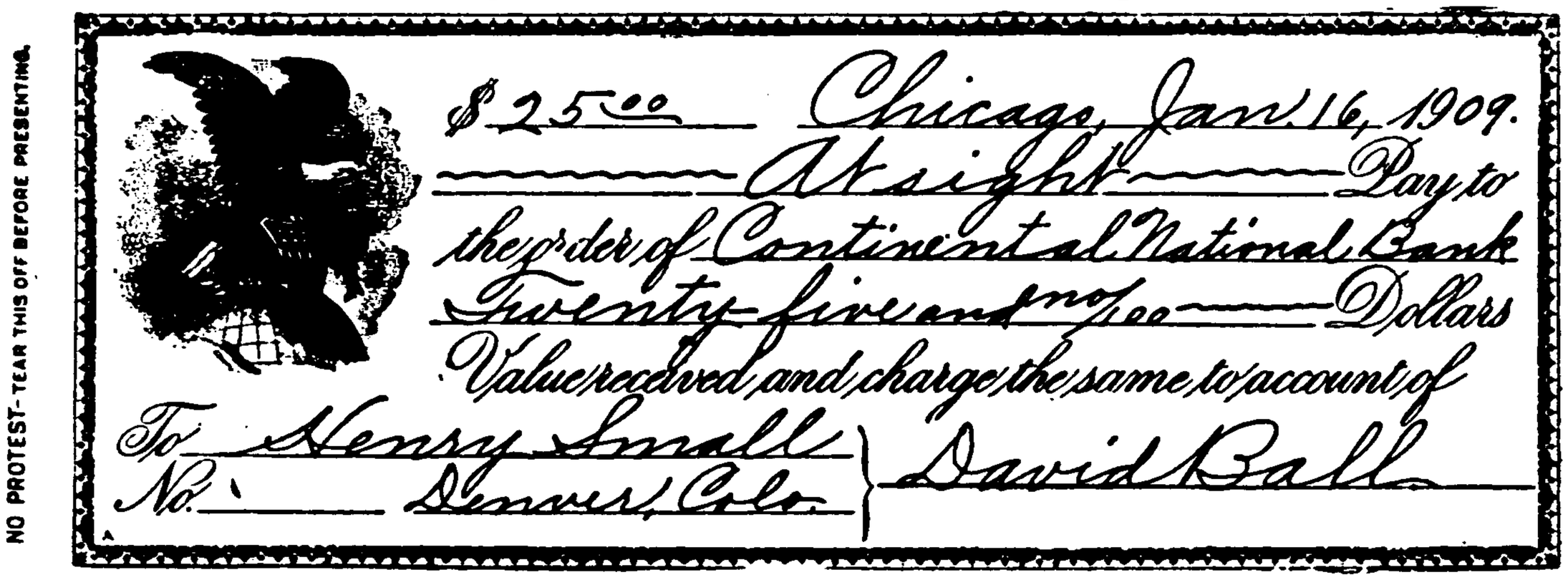
Due Bill—A written acknowledgment of an amount due; of the same effect as a demand note.

Dunning—Soliciting or urgently pressing the payment of a debt.

Duplicate—A copy of a paper or document; the act of making a copy.

Duty—The tax paid on imported goods.

Doubtful—Of questionable value. We refer to an account as "doubtful" when we question the likelihood of its payment.


NO PROTEST- TEAR THIS OFF BEFORE PRESENTING.
$25.00 Chicago, Jan. 16, 1909.
At sight Pay to
the order of Continental National Bank
Twenty-five and no/100 Dollars
Value received and charge the same to account of
To Henry Small
No. 1 Denver, Colo.
David Ball

Draft

Earnest—An advance payment, applying on the purchase price, made to bind an oral bargain.

Embezzlement—See Defalcation.

Exchange—The charge made by a bank for the collection of drafts or checks.

Exports—Commodities sent to another country.

Extend—To set a later date for payment; to add several items and carry the totals to the proper column.

Face Value—The amount for which a commercial paper is drawn.

Facsimile—An exact duplicate or exact copy.

Financial Statement—A term used in the same sense as *balance sheet* or *annual statement.*

Fiscal—A financial or business year, in contradistinction to a calendar year. The fiscal year of a business may commence and end on any date—usually on the date on which it was started.

Fixed Assets—Permanent assets acquired by a firm or corporation to enable them to conduct a business. Includes real estate, building, machinery, horses and wagons, etc.

Fixed Charges—Those charges in connection with the operation of a business which occur at regular intervals, such as rent, taxes, etc.

Fixtures—A fixed asset represented by that part of the furniture not readily removable, such as gas and electric light fixtures.

Folio—A column provided in account books, in which to enter the page numbers of other books from or to which records are transferred.

Footing—The sum or amount of a column of figures.

Foreign Exchange—Drafts on foreign cities.

Freight—The charges paid for the transportation of goods.

Gain—The increase in value of assets or profit resulting from a transaction or transactions.

Gauging—Measuring the liquid contents of casks or barrels.

Going Business—A term used to designate a business in actual operation. Good-will or the reputation of a business has a value so long as the business is in operation, or kept going. When a business is discontinued, only the physical assets or actual properties owned by the business are of value.

Good Will—The monetary value of the reputation of a business over and above its visible assets; the value of a business name.

Gross—The entire amount in contradistinction to the *net* amount —as gross weight or gross profit.

Guarantee or Guaranty—Surety for the maintenance of quality or the performance of contracts.

Honor—To pay a promissory note when due; to accept or pay a draft.

Hypothecate—To deposit as collateral security for a loan.

Import—To bring goods into the country.

Income—The receipts of a business.

Income Bonds—Bonds on which the payment of interest is contingent on profits earned. If the interest is passed on account of lack of funds, the holder of the bond has no claim.

Indemnity—Security against a form of loss which has occurred or may occur—as fire insurance, against loss by fire.

Indorse—To guarantee the payment of commercial paper by writing one's name on the back.

Indorsee—The person to whom a paper is indorsed.

THIS AGREEMENT, Made the.....day of.....
in the year One Thousand Nine Hundred....., Between.....
.....of the first part, and.....
.....of the second part,
Witnesseth, That the said part....of the first part ha....agreed to let, and hereby do....let to the said part....of the second part, and the said part....of the second part ha.....agreed to take, and hereby do.....take from the said part....of the first part, ...
.....
.....
.....
for the term of....., to commence on the
.....day of....., A. D. 19.., and to end on the.....
day of....., A. D. 19...

AND The said part....of the second part HEREBY COVENANT....AND AGREE....to pay unto the said part....of the first part, the.....
rent or sum of.....payable.....
.....
.....

AND To quit and surrender the premises, at the expiration of the said term, in as good state and condition as they were in at the commencement of the term, reasonable use and wear thereof and damages by the elements, excepted.

AND The said part....of the second part further covenant....that.....
will not assign this lease, nor let, or underlet the whole or any part of the said premises, nor make any alteration therein without the written consent of the said part....of the first part, under the penalty of forfeiture and damages; and that .....will not occupy or use the said premises, nor permit the same to be occupied or used for any business deemed extra-hazardous on account of fire or otherwise, without the like consent, under the like penalty.

AND The said part....of the second part further covenant....that.....
will permit the said part....of the first part, or.....agent, to show the premises to persons wishing to hire or purchase, and on and after the first day of February next preceding the expiration of the term, will permit the usual notice of "to let" or "for sale" to be placed upon the walls or doors of said premises, and remain thereon without hindrance or molestation.

AND ALSO, That if the said premises, or any part thereof, shall become vacant during the said term, the said part....of the first part, or.....
representative, may re-enter the same, either by force or otherwise, without being liable to any prosecution therefor; and re-let the said premises as the agent of the said part....of the second part, and receive the rent thereof, applying the same first to the payment of such expenses as.....may be put to in re-entering, and then to the payment of the rent due by these presents; and the balance (if any) to be paid over to the said part....of the second part, who shall remain liable for any deficiency.

AND The said part....of the second part hereby further covenant....that if any default be made in the payment of the said rent, or any part thereof, at the times above specified, or if default be made in the performance of any of the covenants or agreements herein contained, the said hiring, and the relation of landlord and tenant, at the option of the said part...of the first part shall wholly cease and determine; and the said part...of the first part shall and may re-enter the said premises and remove all persons therefrom; and the said part....of the second part hereby expressly waive....the service of any notice in writing of intention to re-enter, notice to terminate the tenancy, notice to quit or demand for possession.

IN WITNESS WHEREOF, The parties to these presents have hereunto set their hands and seals, the day and year first above written.

.....[SEAL.]

Sealed and Delivered in the Presence of

.....[SEAL.]

.....

.....[SEAL.]

Indorser—The person who guarantees payment; the one who indorses.

Infringe; Infringement—To trespass upon another's rights—as infringement of a patent or copyright.

Installment—An account or note the payment of which is to be made in several parts, at stated intervals.

Insolvent—Unable to pay one's obligations.

Instant—Principally used in correspondence to indicate the present month.

Insurance Policy—A contract between an insurance company and the insured.

Interest—The sum or premium paid for the use of money; one's share in a business or a particular property.

Inventory—An itemized schedule of the property or goods belonging to a business.

Investment—Money paid for goods or property to be held; not for speculation.

Invoice—A list of goods bought or sold. See Bill.

Jobber—One who buys from manufacturers and sells to retailers; a middleman.

Job Lot—An incomplete assortment of goods to be disposed of in a lump. Usually indicates small portions or remnants of a stock, the bulk of which has been sold.

Joint Stock—Property owned in common by several individuals known as *stockholders*.

Leakage—An allowance for waste of liquids in transit; refers particularly to liquids shipped in casks.

Lease—A written agreement covering the use of property during a specified period, at a stated rental.

Legal Tender—The lawful amount to be offered in payment of an obligation. Bank notes or other currency which passes for money.

Lessee—One who receives a lease. The *lessor* makes it.

Letter of Advice—A letter giving notice of some act in which the one receiving the advice has an interest—as making a shipment, notice of draft, etc.

Letter of Credit—A letter which authorizes the receiving, by the holder, of credit to a stated amount. Principally used by travelers to secure credit from foreign bankers.

Liabilities—The obligations or debts of a firm, corporation, or individual.

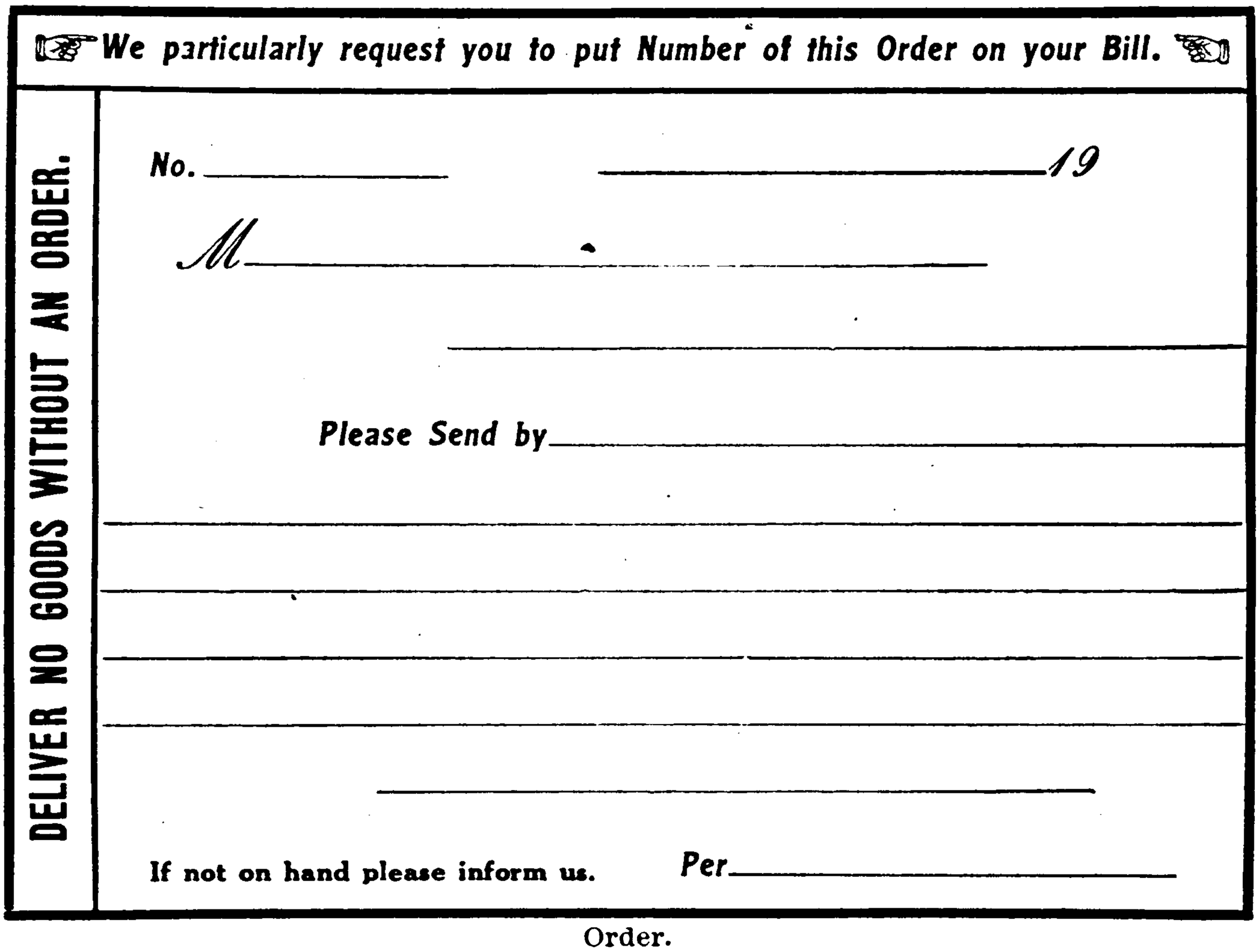
License—Permission, usually granted by a municipality, to conduct a specified business.

Liquidation—The closing-out of a business or an estate.

Loss and Gain—The amount of profits or losses of a business.

Maker—One who signs a note.

Manifest—A list or schedule of the articles in a ship's cargo, or of the goods comprising a shipment.


☞ We particularly request you to put Number of this Order on your Bill. ☜

DELIVER NO GOODS WITHOUT AN ORDER.

No. _____ _____ 19

M _____

_____

Please Send by _____

_____

_____

_____

_____

_____

_____

If not on hand please inform us. Per _____

Order.

Maturity—The time when an obligation or an account is due.

Mercantile Agency—A company which obtains and keeps for the use of its customers information showing the standing of business firms.

Merchandise—The stock in trade, or goods bought to be sold again.

Money Order—An order instructing a third party to pay money to the person named. A form in which money is transmitted.

Monopoly—The exclusive control of the manufacture or sale of an article.

Mortgage—A temporary transfer of title to land, goods, or chattels to secure payment of a debt.

Mortgagor—One who gives a mortgage. The one to whom the mortgage is given is the *mortgagee*.

Negotiable—An agreement or any commercial paper which can be transferred by delivery or endorsement—as a bank note or promissory note.

Net—Less all charges or deductions. *Gross* assets less liabilities leaves *net* capital; *gross* income less all expenses leaves *net* profit; etc.

Nominal—Having no actual existence; exists in name only.

Obligation—Indebtedness.

Open Account—An account which has not been paid.

Opening Entries—The entries made in the books when it is desired to open the accounts of a business.

Option—The right to be the first purchaser; a privilege.

Orders—Requests for the shipment of goods.

Original Entry—The first record made of a charge or credit which becomes the basis of proof of the account.

Overdraw—To draw a check for a greater amount than the drawer has on deposit in a bank.

Par—Face value.

Partnership—A firm; a union of two or more persons for the transaction of business or the ownership of property.

Payee—The one to whom money is to be paid. The one who pays the money is the *payer*.

Per Annum—By the year.

Per Cent or *Per Centum*—By the hundred.

Per Diem—By the day.

Personal Account—Any account with an individual, firm, or corporation.

Personal Property—All property other than real estate.

Petty Cash—A term used to signify small expenditures in actual cash.

Postdate—To date ahead; later than date of execution.

Post—To transfer amounts from books of entry to the ledger, which is the book of final record.

Power of Attorney—Authority to act for and in the name of another in business transactions.

Preferred Stock—Stock which participates in the profits before any dividend can be paid on the common or ordinary stock.

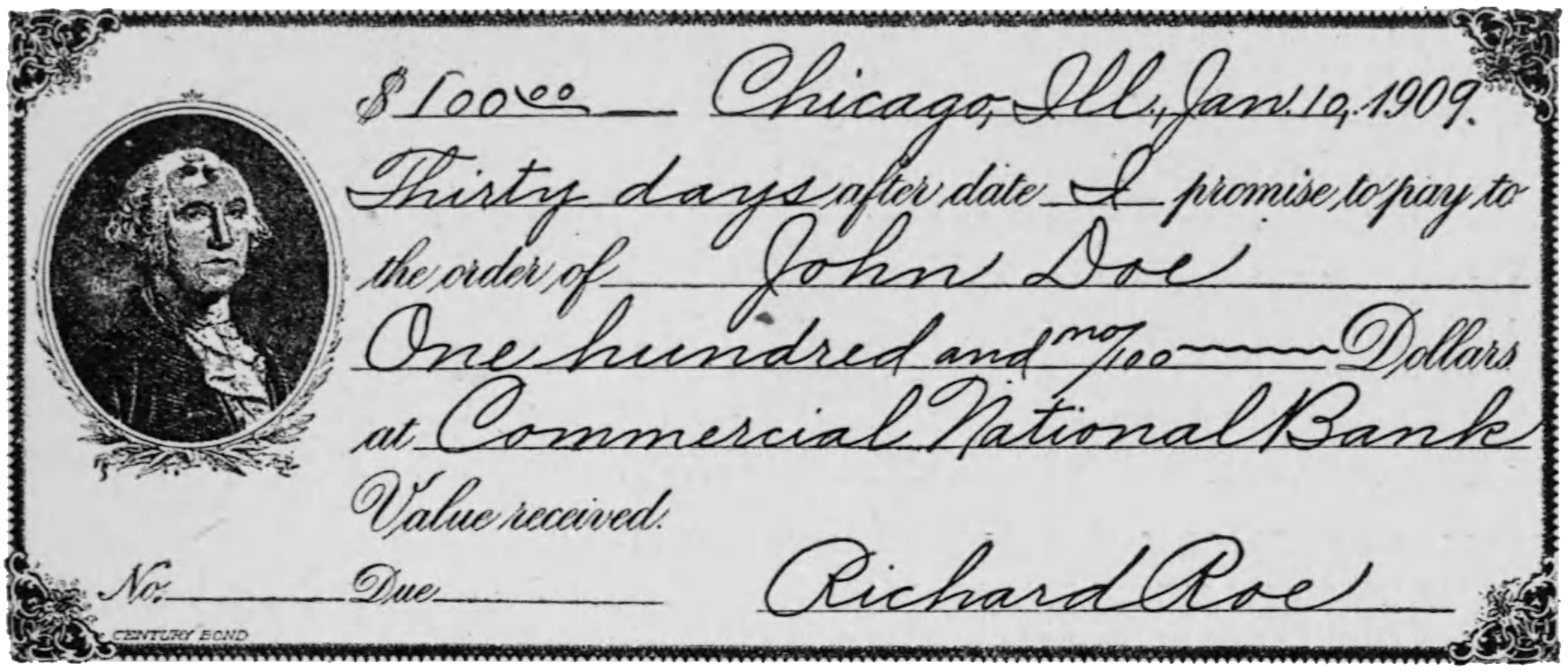
Premium—The amount paid above par value; the amount paid to an insurance company for insurance against loss.

Present Worth—The net capital of an individual.

Proceeds—The amount realized from a sale of property.

Profit and Loss—Synonymous with loss and gain.

Promissory Note—A promise, signed by the maker or makers, to pay a stated sum at a specified time and place.


$100 00/100 Chicago, Ill., Jan. 10, 1909.
Thirty days after date I promise to pay to
the order of John Doe
One hundred and no/100 Dollars
at Commercial National Bank
Value received.
No. Due
Richard Roe
CENTURY BOND

Promissory Note

Pro Rata—A distribution of money or goods in proportionate parts.

Protest—A formal notice acknowledged before a notary that a note or draft was not paid at maturity, and that the maker will be held responsible for the payment.

Quotation—A price named for a given article or for services.

Ratify—To approve; to sanction the acts of an agent.

Raw Material—Material to be manufactured into other products—as iron ore, pig iron, lumber, etc.

Real Estate—Primarily refers to land, although buildings are frequently included.

Rebate—An allowance or deduction. See Allowance.

Receipt—An acknowledgment that money or something of value has been received.

Receiver—One appointed to take charge of the affairs of a corporation, either solvent or insolvent, and administer its affairs under orders of the court.

Remittance—Money or funds of any character transmitted from one place to another.

Know all Men by these Presents,

THAT .....

.....

of the.....*of*.....*County of*.....*in the State of*.....*ha*....*made, constituted, and appointed, and BY THESE PRESENTS do*....*make, constitute, and appoint*.....

.....

of the.....*of*.....*County of*.....
and State of.....*true and lawful Attorney*....*for*.....
and in.....*name*...., *place and stead, to*.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

.....

giving and granting unto.....*said Attorney*....*full power and authority to do and perform all and every act and thing whatsoever, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes, as*.....*might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that*..... *said Attorney*....*or*.....*substitute shall lawfully do or cause to be done by virtue hereof.*

In Testimony Whereof, ...*have hereunto set*..... *hand and seal this*.....*day of*.....190...

Signed, Sealed, and Delivered in Presence of

.....

.....[SEAL]

.....[SEAL]

State of.....
County of .....} *ss.*

I,.....

.....

in and for, and residing in the said County, in the State aforesaid, Do Hereby Certify, that.....

.....

personally known to me to be the same person whose name.....*subscribed to the foregoing Instrument, appeared before me this day in person, and acknowledged that*....*h*....*signed, sealed and delivered the said Instrument as*.....*free and voluntary act, for the uses and purposes therein set forth.*

Given under my hand and.....*seal, the*.....*day of*.....*A. D.* 190...

.....

Renewal Note—A new note given to take the place of a note that is due.

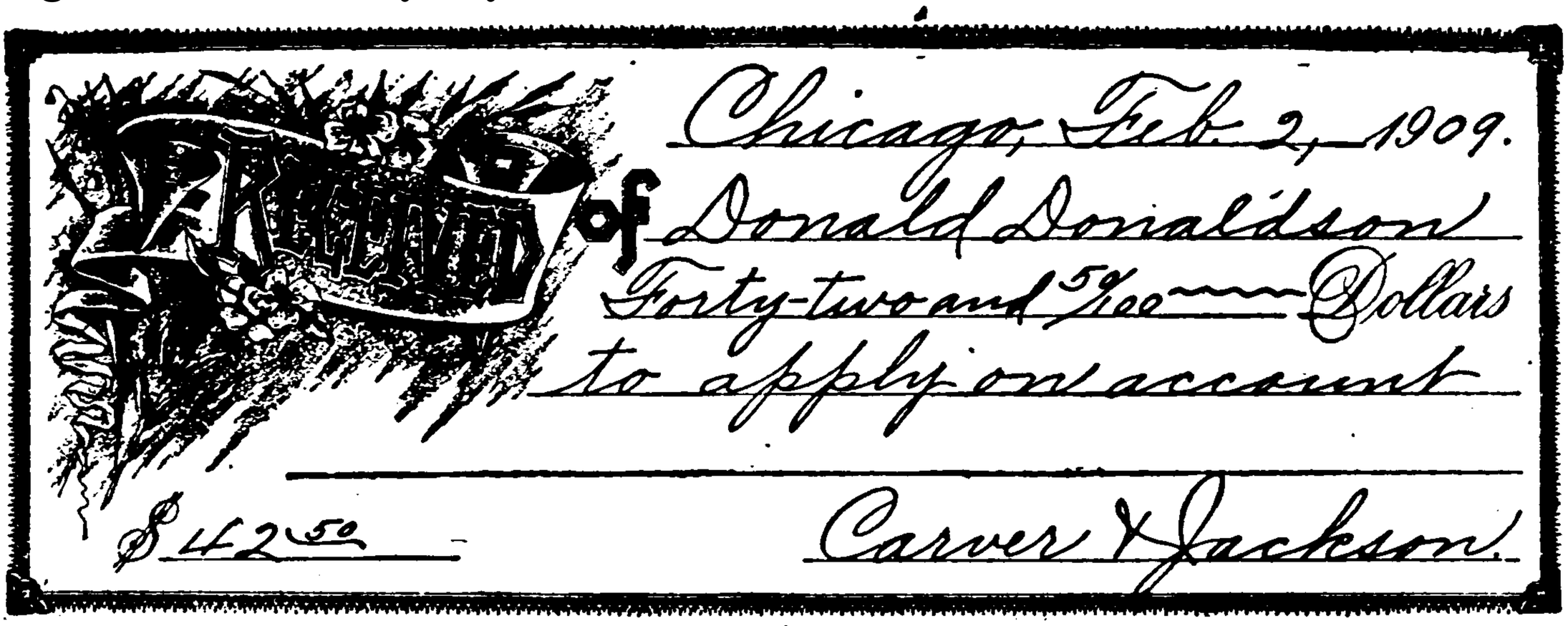
Rent—A payment for the use of property owned by another.

Resources—Synonymous with assets.

Revenue—Income of a business.

Revoke—To recall authority of another to act as agent.

Royalty—A stipulated amount paid to the owner of a mine, patent, copyright, etc., usually based on sales. The owner of a copyright receives a royalty based on the number of books sold.



Receipt

Schedule—Inventory of goods or statement of prices.

Sight Draft—A draft payable on presentation or at sight.

Solvent—Able to pay one's debts.

Statement—Commonly used to designate a list of bills to customers during a stated period. Also used to designate a financial summary showing profits and losses of a business.

Stockholder—An owner of stock in a corporation or joint stock company.

Storage—The charge for keeping goods in a store or warehouse.

Surety—One who has guaranteed or made himself responsible for the acts of another.

Syndicate—A combination of capitalists, usually temporary, for the conduct of some financial enterprise.

Tare—The amount deducted from gross weights to cover weight of packages—as crates, boxes, barrels, etc.

Tariff—A schedule of prices, as freight tariff. The duties imposed on imports or exports.

Terms—The conditions governing a given sale. "Terms cash" means that payment is to be made as soon as goods are delivered.

Tickler—Memoranda of matters requiring attention in the future, arranged according to dates.

Time Draft—A draft which matures at some future date.

Trade Discount—The discount allowed by a manufacturer to a jobber or by a jobber to a retailer.

STATEMENT

FOLIO.....

Chicago,.....

.....

.....

IN ACCOUNT WITH

American School of Correspondence

CHICAGO, ILL., U. S. A.

Statement

Trade Mark—See Brand.

Ultimo—Principally used in correspondence to designate last month.

Valid—Legal or binding; usually applied to a properly executed contract.

Value Received—Used in notes to indicate that value has been given.

Void—Without legal force; not binding.

Voucher—A receipt; a document which proves the accuracy of an account or the authority for an expenditure.

AMERICAN SCHOOL OF CORRESPONDENCE

Paid to _____

_____

Extensions and Footings O. K. *Passed for Payment* *Approved*

Voucher

Warehouse—A building used for storage purposes.

Warehouse Receipt—A document acknowledging the receipt of goods for storage in a warehouse.

Warranty—An agreement to assume responsibility if certain facts do not prove as represented.

Way Bill—A document containing a list of goods shipped by a railroad.

Wholesale—A business which sells goods in large quantities, usually in original packages and to the trade only.

Working Capital—The capital actually used in the active operations of a business.

COMMERCIAL ABBREVIATIONS

The commercial abbreviations in the following list are in con-

stant use in the various lines of trade, and should be thoroughly understood by the student of accounting.

A 1.....First-class
acct.....Account
ad.....Advertisement
Agt.....Agent
amt.....Amount
Ans.....Answer
Art.....Article
asstd.....Assorted
Ass't.....Assistant
Atty.....Attorney
bal.....Balance
bbl.....Barrel
B. B.....Bill Book
bds.....Boards
bdls.....Bundles
bgs.....Bags
bk.....Book
bkt.....Basket
B. L. or B/L...Bill of Lading
bls.....Bales
bot.....Bought
B. P. or B/P...Bills Payable
bro't.....Brought
B. R. or B/R...Bills Receivable
B. Ren'd.....Bill Rendered
bu.....Bushel
bx.....Box
C. B.....Cash Book
¢. or cts.....Cents
chgd.....Charged
c. i. f.....Cost, Insurance, and Freight
ck.....Check
cks.....Casks, Checks
Co.....Company
C. O. D.....Collect on delivery
Coll.....Collect or Collector
Com.....Commission
Com'l.....Commercial
Cons'd.....Consigned
Const.....Consignment
Cr.....Credit or Creditor
ctg.....Cartage
cwt.....Hundredweight
D. B.....Day Book
Dept.....Department
dft.....Draft
dis. or Disc't...Discount
div.....Dividend
do. or ditto....The Same
doz.....Dozen
Dr.....Debit or Debtor
ds.....Days
ea.....Each
E. E.....Error excepted
E. and O. E....Errors and omissions excepted
e. g.....For example
Ent.....Entry or Enter
Ent'd.....Entered
etc. or &c.....And others; And so forth
Exch.....Exchange
ex.....Express
exp.....Expense
Exr.....Executor
f. o. b.....Free on board
fol.....Folio; Page of a book
f'd, ford.....Forward
frt.....Freight
ft.....Foot, Feet
gal.....Gallon
gr.....Grain
gro. or gr.....Gross
guar.....Guaranteed
hdkf.....Handkerchief
hhd.....Hogshead
hund.....Hundred
I. B.....Invoice Book
in.....Inches
Ins.....Insurance
Inst.....Instant (this month)
int.....Interest
inv.....Invoice
invt.....Inventory
I. O. U.....I owe you; A due bill
J.....Journal
lb.....Pound
lbr.....Lumber
lab.....Labor
Manf.....Manufacture
Mdse.....Merchandise
Mem.....Memorandum
Mfd.....Manufactured
Mfst.....Manifest
Mfr.....Manufacturer
Mo. or mo.....Month
Mtg.....Mortgage
Ms.....Manuscript
Mut.....Mutual
Nat. or Nat'l...National
N. B.....Take notice
No.....Number
N. P.....Notary Public, Net Proceeds
O. B.....Order Book
O. K.....All Correct; Approved
oz.....Ounce
p.....Page
pp.....Pages
pay't or pm't..Payment
pc.....Piece
pcs.....Pieces
P. B.....Pass Book
P. C. B.....Petty Cash Book
pd.....Paid
per.....By; By the
per an.....By the year

pk.....Peck
pkg.....Package
pop.....Population
pref.....Preferred
Prem.....Premium
Pro.....Proceeds
prop'r.....Proprietor
prox.....Next Month
P. S.....Postscript
pub.....Publisher
Qr. or qr.....Quarter, Quire
Qt. or qt.....Quart
rec'd.....Received
ret'd.....Returned
R. R.....Railroad
Ry.....Railway
S. B.....Sales Book
S. E.....Single Entry
Sec.....Secretary
Shipt.....Shipment
Shs.....Shares
Sig.....Signature
S. S.....Steamship
s. s.....To wit; Namely
St. dft.....Sight Draft
Sund.....Sundry
Supt.....Superintendent
sq.....Square
T. B.....Trial Balance; Time Book
ult.....Ultimo; Last month
via.....By way of
viz.....Namely
Vol.....Volume
vs.....Against
W. B.....Way Bill
Wk.....Week
Wt. or wt.....Weight
yr.....Year
yd. or yds.....Yard or Yards

COMMERCIAL SIGNS AND CHARACTERS

The signs and characters most commonly used in business are the following:

@.....To or At
a/c.....Account
B/L.....Bill of Lading
B/R.....Bills Receivable or Bill Rendered
B/P.....Bills Payable
B/S.....Bill of Sale
¢.....Cents
c/o.....Care of
D/D.....Days after date
D/S.....Days after sight
F/B.....Free on board
J/A.....Joint Account
L/C.....Letter of Credit
L/M.....Letters of Marque
£.....Pounds Sterling
o/c.....On account
o/c.....Out of courtesy
%.....Per cent
p.....Per
$.....Dollars
#.....Number, if written before a figure, as #25; Pounds, if written after, as 25#
√.....Check Mark
".....Ditto.....
°.....Degrees
'.....Prime; Minute; Feet
".....Seconds; Inches; also used as Ditto marks
$1\frac{1}{4}$.....One and one-fourth
$1\frac{1}{2}$.....One and one-half
$1\frac{3}{4}$.....One and three-fourths
+.....Plus
−.....Minus
×.....By or times
÷.....Divided by
=.....Equals

DEFINITION AND OBJECTS OF BOOKKEEPING

1. Bookkeeping is the art of recording the transactions of a business in a manner that makes it possible to determine the accuracy of the records.

The objects of bookkeeping are:

(*a*) To exhibit a record of the separate transactions of a business.

(*b*) To furnish statistical information in respect to any particular class of transactions.

(*c*) To exhibit the financial standing or condition of a business.

When properly assembled the bookkeeping records become *accounts* (for definition, see Dictionary of Commercial Terms).

If correct methods are used, the bookkeeping records will be assembled or grouped in a manner to show their exact nature and their bearing on the status of the business, or the standing of the account.

2. Debit. The term *debit* designates those items in an account representing values with which we have parted, or transferred to another person or account. Debits are always placed on the left side (or in the left-hand column) of an account. Debits to persons are of the following classes:

(*a*) The transfer of merchandise.
(*b*) The rendering of services.
(*c*) The use of something of value.

Examples—

(*a*) We sell to John Doe two tons of coal at $7.50 per ton. We *debit* his account with the amount.

(*b*) We render services to Thos. Ryan for which he is to pay us a stated fee. We *debit* his account with the amount of the fee.

(*c*) We are to pay rent for the use of our offices. Our landlord *debits* us with the amount.

3. Credit. The term *credit* designates those items in an account representing value which we have received or which has been transferred to us. Credits are always placed on the right side (or in the right-hand column) of an account. Credits to persons are of the following classes:

(*a*) The receipt of merchandise or money.
(*b*) The rendering of services.
(*c*) The use of something of value.

Examples—

(*a*) John Doe pays us $10.00 on account. We *credit* his account with the amount.

(*b*) Our attorney makes a charge for legal services. We *credit* his account with the amount.

(*c*) We rent or lease property to another; and when payment is made, we *credit* his account.

4. Rules for Debit and Credit. Debit and credit are the fundamental principles of bookkeeping. The general rules to be followed in debits and credits are:

Debit cash when you receive it.

Debit a person when you trust him.
Debit a person when you pay him.
Credit cash when you pay it out.
Credit a person when he trusts you.
Credit a person when he pays you.

5. Balance. When the two sides of an account differ in amount, it is said to show a balance. If the debit side of the account is the larger, the difference is a *debit balance*. If the credit side of the account is the larger, the difference is a *credit balance*.

Example—If we debit John Doe's account for two tons of coal at $7.50 a ton, or $15.00 (see Example (*a*), Article 2), and credit his account with $10.00 paid (see Example (*a*), Article 3), the debit side of the account is $5.00 greater than the credit side. Therefore it shows a debit balance.

METHODS OF BOOKKEEPING

6. There are but two methods or systems of bookkeeping, and they are known as *single entry* and *double entry*. No matter in what form bookkeeping records are kept, the method must be either single or double entry.

Single entry is used only in very small businesses or by those who do not understand the advantages of double entry.

SINGLE ENTRY

7. As the name indicates, single entry is a single record of the transaction—that is, a record of one phase of the transaction only.

Example—John Doe's account would show that he received two tons of coal, but there would be no corresponding account to show that our supply of coal had been diminished.

Single entry fails to fulfil the object of bookkeeping, as it does not exhibit the true financial condition of the business, and is incapable of proof of accuracy.

DOUBLE ENTRY

8. Double entry is a system of making two entries (or a double record) of every transaction. In every business transaction, two distinct factors are involved—namely, that which is received, and that which is parted with. If we sell a given quantity of a commodity, we part with it, and the sale takes from or decreases the value of that particular commodity in our possession. If we sell for cash, the

transaction adds to our cash possessions; while if the value of the commodity is debited or charged to the account of a customer, it adds to the amount we are to receive from that customer.

9. Principle of Double Entry. Double entry is a system of debits and credits. One writer expresses it as a system of opposing contra things.

The fundamental principle of double entry is that there must be a corresponding credit for every debit.

Example—When we sell John Doe two tons of coal, we debit his account; but we have decreased the value of our stock of coal, and to complete the double entry, we credit coal account (or *Merchandise*, as the account representing our stock in trade is sometimes known). When he pays us money, we credit his account, and debit cash.

10. Advantages of Double Entry. The principal advantages of double entry bookkeeping are that the system permits of making an accurate exhibit of the standing of the business; it exhibits the profits and losses; it shows the sources of profits and the causes of losses; it permits of proof of the accuracy of the records.

(DATE	OR	FOL.			DR. (DOLLARS)	DR. (CENTS)	CR. (DOLLARS)	CR. (CENTS)

11. *Account books* are ruled with special forms which adapt them to bookkeeping records. The forms of ruling are many and varied to suit the requirements of different classes of business. Rulings for double entry bookkeeping do not differ materially from those used in single entry. For double entry, at least two amount columns must be provided—one for debits, and one for credits.

The most common form of ruling is known as *journal ruling*. A book with this ruling is also known as a *journal ledger*.

The words in parentheses explain the purpose of the different columns. The abbreviations *Dr.* (debit) and *Cr.* (credit) are some-

times written at the head of the amount column; but most book-keepers omit them, as the position of the columns indicates their purpose.

DEMONSTRATION

To illustrate the manner of entering transactions in accounts, we show in the accompanying diagrams how the transactions used in the foregoing examples would appear in the proper accounts.

John Doe

Nov.	1	To Coal (Example (a)	2 tons article 2) @ 7.50	15 00	
	15	By Cash (Example (a)	article 3) (Single Entry)		10 00

John Doe

Nov.	1	To Coal	2 tons @ 7.50	15 00	
	15	By Cash (Example	article 9)		10 00

Coal a/c

Nov.	1	By Sales (Example	John Doe article 9)		15 00

Cash a/c

Nov.	15	To John Doe (Example	Paid on account article 9)	10 00	

EXAMPLES FOR PRACTICE

1. On journal ruled paper, which can be procured at any stationer's, write up the account of John Doe as per example given in Articles 2 and 3.

2. Write up the account of John Doe, showing also the accounts necessary to complete the double entry, as per example in Article 11.

3. Write up the accounts covering the following transactions, by the single entry method:

Nov. 16. Sold to James Stevenson 4 cords of wood, at $4.75 per cord. Sold to Andrew White $2\frac{1}{2}$ tons of coal, at $6.00 a ton.

Nov. 17. Sold to Wm. Johnson 1 ton of coal, at $7.00 a ton.

Nov. 19. Received from James Stevenson $12.00 cash, to apply on account.

Nov. 20. Received from Wm. Johnson $7.00 in payment of account.

4. Write up the same accounts by the double entry method, using a merchandise account to represent all classes of merchandise sold.

CLASSES OF ACCOUNT BOOKS

12. Account books are of two classes: (*a*) those in which complete records of transactions, or complete accounts, are kept; (*b*) those which contain particulars of individual transactions which must afterward be transferred to books of the (*a*) class.

Books of the (*a*) class are known as *principal books* or *books of record*; that is, they contain the final or permanent record of an account.

Books of the (*b*) class are of two kinds: (*ba*) books of *original entry*; (*bb*) *auxiliary* books.

Any book which contains the first (or original) record of a transaction is a book of original entry (*ba*).

ORDER BOOK

DATE	QUANTITY	ARTICLES		PRICE	AMOUNT

Any book in which records contained in books of original entry (*ba*) are assembled, to be transferred later to principal books (*a*), is an auxiliary book.

Any book used for the purpose of assembling statistical information is an auxiliary book.

The books most commonly used in double entry bookkeeping are: *Order Book, Day Book, Cash Book, Journal, Sales Book, Purchase Book, Ledger.*

13. Order Book. An Order Book is a book of original entry in which is entered a record of each order or request for the shipment or delivery of merchandise. The record shows the name and address of the customer, the kinds and quantities of goods wanted, and the prices at which they are to be sold.

The ruling of the order book varies according to the nature of the business. A simple form of ruling is shown.

14. Day Book. A Day Book is a book of original entry in which are entered full particulars of each completed transaction. These records are afterwards assembled in auxiliary books, from which they are transferred to the principal books.

DAY BOOK

	(EXPLANATION)	(AMOUNT)

The use of the day book was formerly universal, but it has been discarded by modern bookkeepers as its use involves unnecessary labor. The records formerly kept in the day book are now made directly in certain books then known as auxiliary, which makes of them books of original entry. The ruling of the day book is shown

15. Cash Book. A Cash Book is a book of original entry containing records of all transactions which involve either the receipt or payment of cash. The records in the cash book are in fact a complete account with cash. We debit cash for all money received, and credit cash with all money paid out; therefore, the difference between the

total footings of the debit and credit sides of the cash book shows the amount of cash which we should have on hand. Since we cannot pay out more than we receive, the debit side should be the larger, unless both sides are equal, which shows that we have paid out all the cash received.

The amounts entered on the debit side of the cash book are transferred (or *posted*) to the credit side of the account of the one from whom the cash is received.

The amounts entered on the credit side of the cash book are posted to the debit side of the account of the one to whom the cash is paid.

CASH RECEIVED

(DATE)	FOLIO	(FROM WHOM)	(EXPLANATION)	(ITEMS)	(TOTALS)

CASH PAID OUT

(DATE)	FOLIO	(TO WHOM)	(EXPLANATION)	(ITEMS)	(TOTALS)

There are many special forms of ruling for cash books, with separate columns for entering certain classes of receipts and payments of a special nature. The ruling of the cash book should be made to meet the requirements of the business in which it is to be used. A simple form of ruling is shown.

It will be noted that the left-hand page is used for the debit side, while the right-hand page is used for credits. This is the only account kept with cash.

16. Journal. A Journal is a book in which separate transactions are entered in a manner to preserve the balance necessary in double entry—that is, showing the proper debit and credit for each transaction. The journal is used for making adjusting entries, and it was formerly the custom to copy into this book from the day book the particulars of every transaction. Records are now made in the journal directly, which makes it a book of original entry.

The records in the journal are transferred or posted to the debit and credit sides of the accounts which they represent.

The journal is frequently combined with the cash book, and is then called a *cash journal*. An ordinary form of journal ruling is shown in Article 11.

17. Sales Book. A Sales Book is an auxiliary book in which is kept a record of all goods sold, showing name of purchaser, quantity and kind of articles, prices, and amounts.

A sales book is a journal of sales. The amounts of individual sales are posted (transferred) to the debit side of the accounts of the purchasers. The footings of the sales book are carried forward until the end of the month, when the total amount is posted as one item to the credit side of the *merchandise* account, completing the double entry.

The merchandise account has been universally used in the past, all purchases being debited and all sales credited to this account. Certain other accounts (which will be explained later) are now recommended by leading accountants, to take the place of the merchandise account.

Sales books are usually ruled to meet the special needs of each business, separate columns being provided for a record of special classes of sales, or sales of special kinds of goods.

18. Purchase Book. A Purchase or Invoice Book is the opposite of the sales book, being used for a record of all purchases made. Like the sales book, the totals are carried forward to the end of the

NAME OF ACCOUNT

DR.				CR.			
(DATE)	(ITEMS)	(FOLIO)	(AMOUNT)	(DATE)	(ITEMS)	(FOLIO)	(AMOUNT)

month, and posted as one item to the debit side of the *merchandise* account. The amounts of the separate transactions are posted daily to the credit of the persons from whom the goods are purchased.

The purchase book is a purchase journal, and the ruling is the same as that of other journals.

19. Ledger. The Ledger is the principal book, in which particulars of every transaction of every nature are summarized. It is, in fact, a transcript of all other books of the business except those used solely for statistical purposes.

The ledger is the book which contains the final or complete records of all dealings, either with an individual or with respect to a specific class of transactions—as expenditures for a certain purpose, or receipts of a given character, or sales of a given kind of goods.

A transcript of the ledger accounts exhibits the progress and standing of the business.

Like other books, ledgers are now made with special forms of ruling, depending on the purpose for which they are to be used. The old style or common form of ledger ruling is shown (p. 35).

20. Invoice or Bill. An Invoice or Bill is an itemized statement or record of goods sold by one person to another. The invoice or bill is used in every line of business. A conventional form of invoice is shown (p. 5).

RECORDING TRANSACTIONS

21. The records of transactions in the journal which show what accounts are debited and what accounts are credited are called *journal entries*. The act of making these entries is known as *journalizing*.

It was formerly the custom to journalize each individual transaction from the day book, but in modern bookkeeping the journal is used only for adjusting and special entries.

22. Posting. When the record of a transaction is transferred to the ledger from a book of Class (*b*), it is said to be *posted*. The act of making the transfer is called *posting*.

The original method was to itemize all transactions in the ledger, but the present custom is to post the totals only.

23. When a record is transferred from one book of Class (*b*) to another, or posted to the ledger, the page number of the book to or from which it is transferred or posted is entered in the column known

as the *folio column*. This is done that the transaction may be traced from one book to another. The presence of the page number also serves as a check to show that the item has been posted.

Example—An item is to be posted from page 1 of the sales book to page 10 of the ledger. In the folio column of the ledger will be entered "S 1" indicating that the item will be found on page 1 of the sales book. In the folio column of the sales book will be entered "10" indicating that the item has been posted to page 10 of the ledger.

24. Ledger Index. An index to the ledger is necessary to enable us to find the accounts. In small ledgers the index is placed in the front of the book itself, while for large ledgers a separate index book is used. There is a distinct advantage in this, as the index book can be kept open on the desk while posting is being done, and the names found much quicker than when it is necessary to turn the leaves of the ledger to find the index.

When an account is opened in the ledger, the name should be written in the index, followed by the page number. The names in the index are arranged in alphabetical order, each name being written under the letter of the alphabet corresponding to the first letter in the name. For example:

A	B	C
Adams, J. C.....11	Bacon, I. H.....2	Crandall, Jas..... 7
Andrews, Henry.....14	Brown, Henry.....9	Campbell, Don.....12

In a large index, one or more pages are used for a letter; while in a small index, several letters may be placed on the same page.

SAMPLE TRANSACTIONS

25. The following sample transactions are carried through the books described in this section, showing the proper entries and postings (see pp. 40-43). The day book has been omitted, as it is practically obsolete, not being used by progressive bookkeepers.

Muskegon, Mich., Nov. 1, 1907.

I, ROBERT B. ROBINSON, have this day commenced business as a wholesale dealer in groceries and provisions. I have rented the store located at 68 Pine St., from Geo. Baker, at $40.00 a month.

My resources and liabilities are as follows:

RESOURCES

Cash on hand	$2,462.50
Merchandise per inventory	1,147.20
Due me from Roger Bros.	219.40

LIABILITIES

C. B. Whitney, Grand Rapids	$ 126.90
My net investment	3,702.20

— Nov. 1 —

Bought from Grand Rapids Gro. Co., Grand Rapids, Mich.

On account

10 cwt. sugar	$4.85	$ 48.50	
10 bbls. flour	5.25	52.50	
150 " salt	1.10	165.00	
2 " molasses 48 50, 98 gals.	.30	29.40	$295.40

— 1 —

Paid Geo. Baker

For 1 month's rent Cash 40.00

— 2 —

Sold to Geo. Wiggins, 110 Ottawa St.

On account

1 box B. B. soap	3.75		
1 case X. X. corn	1.60		
100# soda biscuit	4.25	9.60	

— 3 —

Sold to Smith & Nixon, 262 Western Av.

On account

2 bbl. flour	6.15	12.30	
2 cwt. sugar	5.15	10.30	
1 bbl. molasses, 48 gal.	.35	16.80	39.40

— 5 —

Bought from William Bratton, 48 Jefferson Av., Detroit

On account

10 sacks Java coffee, 1,000#	.25	250.00	

— 6 —

Sent to C. B. Whitney, Grand Rapids

Draft to balance account 126.90

— 7 —

Sold to H. A. Brainerd, 961 Lake Av.

On account

2 bbls. salt	1.35	2.70	
10# baking powder	.42	4.20	6.90

— 8 —

Charge Grand Rapids Gro. Co.
1 bbl. flour received in bad order 5.25

— 9 —

Sold to Bryan Bros., Lakeside
On account
2 bbls. salt 1.35 2.70
20# raisins .08 1.60 4.30

— 10 —

Bought from H. A. Edwin, Chicago
On account
20 bbls. pork 10.30 206.00

— 12 —

Sold for cash
3 bbl. pork 11.35 34.05

— 13 —

Sold to R. C. Ellison, 10 Jefferson Av.
On account
2 bbl. pork 11.40 22.80
5 bu. beans 2.10 10.50 33.30

— 14 —

Received from Geo. Wiggins
Cash to balance 9.60

— 15 —

Sent to Grand Rapids Gro. Co.
Draft to balance 290.15

— 16 —

Sold for cash
1 box soap 3.75

— 17 —

Received from Smith & Nixon
Cash on account 25.00

ORDER BOOK

Nov. 1

1	Entered L.B.1	Geo. Wiggums		
		116 Ottawa St.		
	1	Box B.B. Soap	3.75	
	1	Case X X Corn	1.60	
	100#	Soda Biscuit	4.25	
		Delivered Nov. 2		
		Nov. 2		
2	Entered L.B.1	Smith & Nixon		
		262 Western Ave		
	2	bbl Flour	6.15	
	2 cwt.	Sugar	5.15	
	1	bbl Molasses, 48 gal.	.35	
		Delivered Nov. 3		
		Nov. 5.		
3	Entered L.B.1	H. A. Brainerd		
		961 Lake Ave.		
	2	bbl. Salt	1.35	
	10#	Baking powder	.42	
		Delivered Nov. 7		

PURCHASE BOOK

Nov. 1		Grand Rapids Gro. Co.,		
		Grand Rapids		
		Invoice No. 1.		295 40
5		Wm. Bratton		
.		42 Jefferson Ave.,		
		Detroit		
		Invoice No. 2.		250 00
10		H. A. Edwin,		
		Chicago		
		Invoice No. 3		206 00

SALES BOOK

| | | |

CASH BOOK

		CASH	SALES DR.				CASH	CR.			
Nov.		Cash on hand			246	250	Nov. 1 Expense 1 months rent			40	00
	12	Sales - cash		34	05		6 CB Whitney Draft			126	90
	14	Geo. Wiggins				960	15 1 Grand Rapids Gro. Co.			290	15
	16	Sales		37	75		By Balance		2077	85	
	17	Smith & Nixon		37	80	2500					
		Cash sales for month				3780					
						253490			253	490	
		To Balance on hand				207785					

LEDGER

1

Dr Grand Rapids Gro Co. Grand Rapids Cr.

Nov	8		J	1			5	25	Nov	1		P	1			2	95 40
	15		C	3			2	90	15								
							2	95	40							2	95 40

2

Geo Wiggins 110 Ottawa, St.

Nov	2		L	1				960	Nov	14		C	1				960

3

Smith & Nixon, 262 Western Ave.

Nov.	3		L	1			3	9	40								

4

H. A Brainerd, 961 Lake Ave.

Nov	7		L	1				690									

5

PROMISSORY NOTES

26. A promissory note is a form of commercial paper much used in business. Goods are sold on specific terms—that is, to be paid for in a certain time after date. Profits are based on the supposition that the bills will be paid when due. When not so paid, the debtor is virtually borrowing money from the creditor, and should pay interest for the use of that money just as he would if he had borrowed it from a bank. To settle the account when it is not convenient to pay cash, it is customary to give a promissory note for the amount, plus interest, payable on a certain date. The promissory note is more convenient for the creditor; for when it bears his endorsement, his bankers will discount it, thus giving him the money for use in his business. Even though he may not discount it, the promissory note is better for the creditor, as it gives him a definite promise to pay, which he does not have when the debt is represented by an open account.

27. Bills Receivable and Bills Payable. The commercial term for promissory notes accepted by us is *Bills Receivable*. The commercial term for promissory notes given by us is *Bills Payable*. The term "bill" is used in this connection for the reason that a promissory note is a negotiable instrument, and when indorsed it becomes praetically a bill of exchange. The accounts in the ledger which represent notes receivable and notes payable are called *Bills Receivable Account* and *Bills Payable Account*.

The bills receivable account is debited when a note is received, and credited when a note is paid. The balance of bills receivable account shows the amount of unpaid notes payable to us.

The bills payable account is credited when we give a note and debited when we pay a note. The balance of bills payable account shows the amount of the notes that we owe.

28. Bill Book. For the purpose of keeping a record of bills receivable and bills payable, a book known as a *bill book* is used. Any draft, note, due bill, or other written promise to pay a specified sum at a stated time, should be treated as a note or bill—receivable or payable, as the case may be. The bill book is an auxiliary book, and the record kept is usually treated as a memorandum only, records of each transaction being made in the journal. The form shown (p. 45) is one in common use.

BILLS RECEIVABLE

DATE RECEIVED	NO	FROM WHOM RECEIVED	MAKER	PAYABLE TO	WHERE PAYABLE	AMOUNT	DATE	TIME	WHEN DUE													WHEN and HOW DISPOSED OF
									YEAR	J	F	M	A	My	J	Jy	A	S	O	N	D	

BILLS PAYABLE

DATE RECEIVED	NO	TO WHOM GIVEN	MAKER	PAYABLE TO	WHERE PAYABLE	AMOUNT	DATE	TIME	WHEN DUE													WHEN and HOW DISPOSED OF
									YEAR	J	F	M	A	My	J	Jy	A	S	O	N	D	

29. Acceptances. A draft when accepted—that is, when it becomes an *acceptance*—has the same value as a promissory note, for it is a definite promise to pay on a specified date. Drafts are used for the collection of accounts in other cities than the one in which the creditor's place of business is located. A draft may call for payment a certain number of days after date, or it may call for payment at sight. The former is known as a *time draft*, while the latter is a *sight draft*.

30. Discount and Exchange. When a promissory note is taken to the bank for the purpose of raising money, it is customary for the banks to calculate the interest for the time the note is to run, and to deduct this from the principal, giving the borrower the net amount only. In other words, the interest is paid in advance, and such advance payment of interest is called *discount*.

When a draft is collected through a bank, a small fee is charged, and this fee is called *exchange*. Exchange is also charged for the collection of out-of-town checks, especially if they are drawn on banks in small towns and cities.

BANK DEPOSITS

31. When money is deposited in a bank, a list of the items in the deposit is made on a blank known as a *deposit ticket* or *deposit slip*. These deposit tickets are furnished by the bank for the convenience of its customers.

32. Signature Card. Money deposited in a bank can be withdrawn only by presenting a written order or *check*, signed by the one in whose name the money is deposited. That the bank may know that money is not paid on checks that do not bear the correct signature, each depositor is required to leave at the bank the signature or signatures which are to be honored. These signatures are written on a card, known as a *signature card*, which the bank keeps for reference.

33. Check Books. Bl$_a$n$_k$ checks are usually bound in book form, the checks themselves being perforated so that they can be easily removed. These *check books* are in most cases furnished by the bank. The number of checks on a page varies, but is seldom more than four. When a check is written, the number, date, name, and amount should be written on the face of the stub. To keep a con-

venient record of the balance in the bank, it is well to enter a list of all checks and deposits on the back of the check stubs.

Office of

.....

To THE FIRST NATIONAL BANK, GALVESTON, TEX.

Below please find duly authorized signatures, which you will recognize in payment of funds or the trausaction of other business on our account. Respectfully yours,

.....*President.*

.....*Vice-Pres't.*

.....*Cashier.*

.....*Asst. Cashier.*

.....

Date, ...

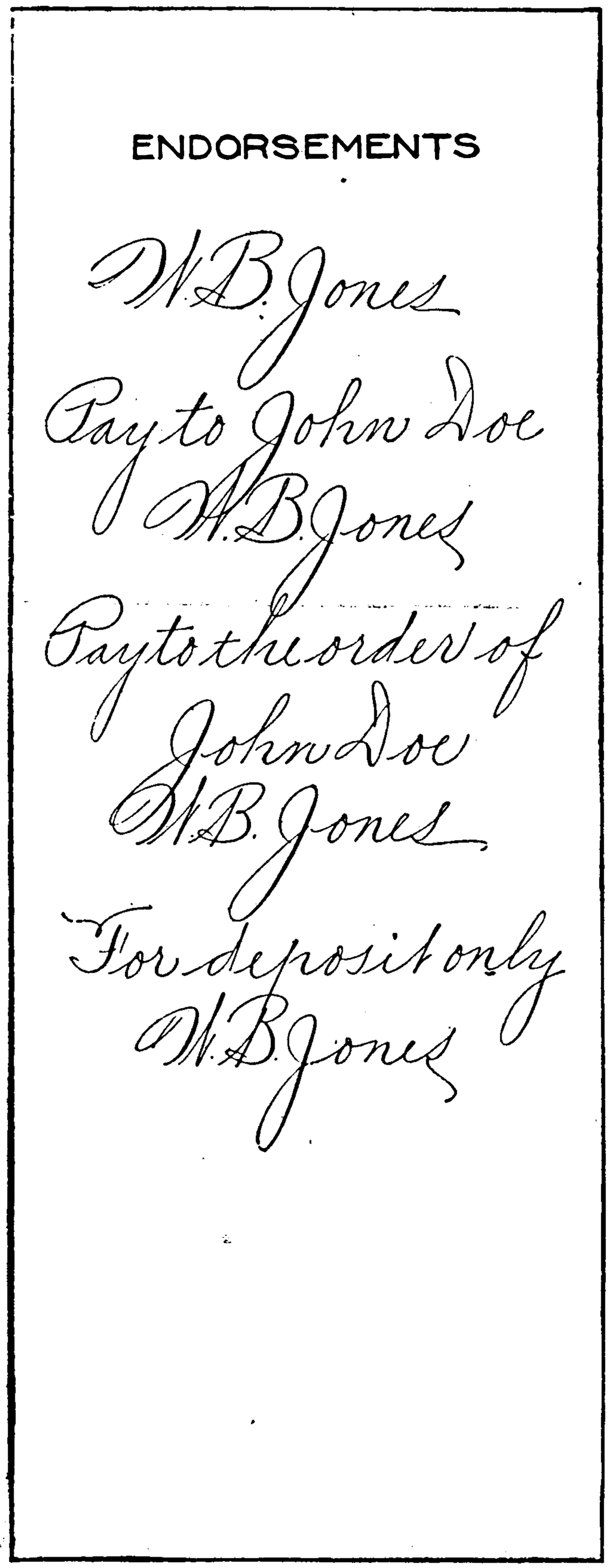
Signature Card

34. Pass Book. The bank *pass-book* should be taken to the bank whenever a deposit is made, as it contains the bank's receipt for all money deposited.

35. Indorsement of Checks. Before a check can be deposited in the bank, it must be indorsed by writing the name of the payee across the back. The indorsement should be on the back of the left end of the check—never on the right end. Several forms of indorsement are shown (p. 48). When the name only is written, it makes the check payable to the bearer, and is known as a *blank indorsement.* When the words "Pay to" are used, the check becomes payable to the one whose name appears immediately under the words. It can only be paid to him in person or credited to his account at any bank at which he may deposit the check. A check indorsed with the words "Pay to the order of" permits of a further transfer, and provides a receipt from the one to whom it is so indorsed. When a check is to be deposited, the proper indorsement is "For deposit only." This is of special importance when deposits are sent by messenger. Such indorsements usually include the name of the bank, and are made with a rubber stamp.

36. Depositing Cash. It is a good plan to deposit all cash

received and to pay all bills by check, except such small items as are paid from petty cash. By doing this, all transactions pass through the bank, providing a receipt in every case in the form of a canceled check bearing the indorsement of the payee.



Endorsement

37. Treatment of Petty Cash. It is customary in business establishments to keep on hand a certain sum of cash out of which to pay items of expense such as office supplies, etc., when the amount is too small or it is not convenient to write a check.

The best way to handle this is to draw a check for a certain amount, and keep this money separate from the cash received from day to day. At the end of the month, or sooner if the fund is low, draw a check payable to cash for the amount paid out and charge it to expense. This will leave the fund intact.

Example—We shall suppose the amount of petty cash to be kept on hand to be $25.00; and the amount paid out, $15.60, leaving $9.40 on hand. A check will be made for $15.60, to be charged to expense through the regular cash book. The cash will be drawn from the bank, and the amount added to the $9.40, making a total of $25.00.

A record of petty cash is usually kept in a small book called a *petty cash book*. This book has the regular two-column journal ruling. In handling petty cash, great care should be taken to secure a receipt in some form for every payment.

SAMPLE TRANSACTIONS

38. The following sample transactions taken from the books of W. B. Clark, Ames, Ia., illustrate the use of the papers and accounts explained in this section, and show how the transactions would appear on the books.

Mr. Clark is a shipper of produce, and a retail dealer in coal. His assets and liabilities are as follows:

ASSETS

Cash in bank	$1,262.78	
Inventory, Produce	685.00	
" Coal	747.50	
Geo. White — Open account	21.00	
F. H. Russel " "	7.00	
Henry Brown " "	8.00	
O. L. Duncan — Note due Dec. 1	27.00	$2,758.28

LIABILITIES

Iowa Coal Co., Des Moines,		
Open acct.	$120.00	
Lehigh Coal Co., Chicago, Ill.,		
Open acct.	325.00	
George Hardy, Open account	60.00	505.00

As he wishes to know how much business he is doing in each department of his business, he keeps accounts in the ledger with both produce and coal instead of one merchandise account. In the sales book, one column is used for coal sales, and one for produce sales. No purchase book is kept, all purchases being posted from the journal or cash book.

— Oct. 22 —

Bought from David Andrews, for cash

200 bu. potatoes @ .42c $84.00

Paid by check No. 11.

— 22 —

Sold to Albert Long on account

2 tons run of mine coal $3.25 6.50

— 23 —

Received from Geo. White on account
Cash 10.00

— 24 —

Sold to Taft Produce Co., Des Moines, on account
148 bu. beans 3.10 458.80

— 24 —

Drew from bank for petty cash 10.00
Check No. 12.

— 25 —

Sold to Geo. Hardy on account
1½ tons nut coal 9.00 13.50
Gave him check No. 13. 46.50

— 27 —

Gave to Lehigh Coal Co., Chicago.
60-day note 200.00
Check No. 14. 125.00

— 28 —

Taft Produce Co. paid sight draft through Iowa
National Bank 458.80

— 29 —

Accepted 30-day draft made by Iowa Coal Co. 120.00
Payable at Ames State Bank

— 30 —

Deposited in Ames State Bank
Draft Iowa National Bank 458.80
Cash 10.00

— 30 —

Paid for repairs to stove, cash 1.20

— 31 —

Sold tor cash, ½ ton egg coal 4.50

JOURNAL

Oct 22 1908

		Assets			
	2	Bank	Bal. on deposit	1262 78	
	3	Produce	Inventory	685 00	
	4	Coal	"	747 50	
	5	Geo White	Open account	21 00	
	6	F.K. Russel	" "	7 00	
	7	Henry Brown	" "	8 00	
	8	Bills Rec.	O.L. Duncan's note Due Dec	27 00	
		Liabilities			
	9	Iowa Coal Co.	Des Moines Open acct		120 00
	10	Lehigh Coal Co.	Chicago " "		325 00
	11	Geo. Hardy	" "		60 00
	1	W. B. Clarke	Net invest.		2253 28
		—22—			
	3	Produce		84 00	
	2	To Bank	Bought from D. Anderson		84 00
			200 bu. potatoes @ .42		
			Check No. 11		
		—25—			
	11	Geo Hardy		46 50	
	2	To Bank	Check No. 13		46 50
		—27—			
	10	Lehigh Coal Co.		325 00	
	12	To Bills Pay.	Gave 60 da. note		200 00
	2	Bank	Check No. 14		125 00
		—29—			
	9	Iowa Coal Co.		120 00	
	12	To Bills Pay.	Accepted 30 day draft		120 00
			payable at Ames State Bk.		

PETTY CASH BOOK

Oct.	24	Check No. 12	Ames State Bk.	10 00	
	30	Paid for repairs	to stove C.B.		1 20
			Balance		8 80
				10 00	10 00
Oct	31	Balance on hand		8 80	

CASH RECEIVED

Oct 22	5	Geo White	Paid on a/c		1000
23					
24	2	Ames State Bk.	Petty Cash Ck No. 12		1000
28	14	Taft Produce	At sight draft Iowa Nat Bk		45880
31	~	Cash Sales	½ ton coal		450
					48330
31		Balance on hand			1330

CASH PAID OUT

Oct 2		Ames State Bk	Deposit Draft		45880
			Cash		1000
					46880
31	15	Expense	per Petty Ck B.		120
			Balance		1330
					48330

				COAL	PPODUCE
		October 22, 1908			
	13	Albert Long	2 tons Rof M 3.25	6 50	
		-2 4-			
	14	Taft Produce Co	Des Moines		
			148 lbs beans 3.10		45 88
		-2 5-			
	11	Geo Hardy			
			1½ tons Nut 9.00	13 50	
		-3 1-			
	1	Cash Sales			
			½ ton Egg	4 50	
				24 50	45 80
	4	Credit	Coal a/c		24 50
	3		Produce a/c		45 80

W. B. Clark. Ames, Ia. 1

1908

Oct	22	Net invest'd	1			2	5	3	28

2 Ames State Bank

Oct	22		J	1			26	28	Oct	22		J	1		80 00
	30		CB	1			46	50		25			1		46 50
										27			1		125 00
										24		CB	1		1 00

Produce 3

Oct	22		J	1			68	00	Oct	31		LB	1		45 00
	22		J	1			84	00							

4 Coal

Oct.	22		J	1			74	50	Oct.	31		LB	1			24	50		

5 Geo. White

Oct	22		J	1			21	00	Oct	22		CB	1			1	000		
										23									

6 P. H. Russel

Oct	22		J	1			7	00											

7 Henry Brown

Oct.	22		J	1			8	00											

8 Bills Receivable

Oct	22		J	1			27	00											

9

Iowa Coal Co.

Oct	29			J	1			12	00	Oct	22			J	1			12	00

10

Lehigh Coal Co.

Oct.	27			J	1			32	50	Oct.	22			J	1			32	50

11

Geo Hardy

Oct.	25			J	1			46	50	Oct	22			J	1			60	00
	25			L.B.	1			13	50										
								60										60	

12

Bills Payable

										Oct.	27			J	1			20	00
											29			J	1			12	00

13

Albert Long

Oct	22			L.B.	1			6	50										

Taft Produce Co.

Oct.	24			CB.	1			45	80	Oct.	28			CB.	1			45	80

Expense

Oct.	31			CB.	1			1	20								

TRIAL BALANCE

	1	W B Clarke														2	25	3	28
	2	Ames State Bank						1	4	6	6	08							
	3	Produce							3	1	0	20							
	4	Coal							7	2	3	00							
	5	Geo D Thute								1	1	00							
	6	F N Bassel									7	00							
	7	Henry Brown									8	00							
	8	Bills Receivable								2	7	00							
	12	Bills Payable														3	2	0	00
	13	Albert Long									6	50							
	15	Expense									1	20							
		Cash on hand (CB)								1	3	30							
								2	5	7	3	28				2	5	7	3	28

The bookkeeper, in order to test the accuracy of his work, took off a Trial Balance of the Ledger. If you will check this against the accounts, you will see just how it was done.

CLASSES OF ACCOUNTS

39. Classification. In single entry bookkeeping the work is very simple and, therefore, only one class of accounts are posted in the ledger, namely, *personal* accounts of the customers to whom we sell on time and of the people from whom we buy, and, therefore, there is no occasion for classification. In double entry bookkeeping, however, there are several classes into which the accounts used may be divided. The two general classes of accounts are *personal* and *impersonal;* the first class being almost self-explanatory while the second class may be further divided into *real*, *representative*, and *nominal* accounts. These different classes will be discussed in order and illustrated by practical examples.

40. Personal Accounts. A personal account is a record of transactions with a particular person or persons.

Examples—

A record of business transactions with persons or firms who buy goods from us.

A record of business transactions with persons or firms from whom we buy goods.

James E. Watson, 147 Niles Ave.

1909								1909						
Jan	2		2			46	20	Feb	1		14		6	10
	3		4			17	90							
	15		18			22	00							
Feb	4		42			19	75							

41. Real Account. A real account is a record of transactions with respect to a particular property. Properties which we possess

Machinery

1909														
Jan	2		1		1	0	0	0	0	0				
	15		11			2	0	0	0	0				
Feb	10		20			1	5	0	0	0				

are termed *resources* or *assets;* therefore all real accounts are also *asset accounts.*

Examples—

Real estate (land and buildings), Machinery, Furniture, Merchandise, etc.

42. Representative Account. A representative account is a summary of all debit or credit transactions of a particular class with respect to several personal accounts. The debit or credit to this account completes the double entry, and illustrates the rule that in double entry there must be a credit for every debit.

Example—

We sell goods to a number of customers, and the amounts of these sales are debited to their several accounts. To complete the double entry, we credit the total amount of these sales to an account called *sales account.* The total credits to this account during any given period *represent* the sales to all customers for the same period, and the sales account is a *representative* account.

The total debits to all customers' accounts for goods purchased in one month amount to $1,423.62. This amount is credited to the sales account. Likewise the purchases for the same period amount to $947.20, and the several amounts are credited to the personal accounts of those from whom the purchases were made, while a like amount is debited to a representative account known as a purchase account.

Sales

				1909							
				Jan	31			38		1465	60
				Feb	21			70		1291	50
				Mar	31			109		1679	75
				Apr	30			100		1720	00

43. Nominal Account. A nominal account is a record of transactions having to do with profit and loss; a record of a particular class of expenditures from which no direct returns are expected;

any impersonal account which does not come under the classification of real or representative accounts.

Example—

We buy coal to be used in heating our building. The coal is not to be re-sold, but its use is necessary; it is one of the expenses of conducting the business, and we charge the amount to an *expense* account. Expense is a *nominal* account kept for the purpose of showing the total expenses of the business.

Expense

1909											
Jan.	2			2			14	00			
	3			3			26	00			
	5			6			7	50			
	6			6			18	75			
	8			9			16	40			

44. Merchandise Account. The merchandise account is a real account formerly much used, but discarded by modern accountants. When used, this account is debited with all purchases of merchandise and credited with all sales. The account is also charged with all goods returned by our customers, and credited with all goods which we return to those from whom we have purchased them. Goods returned by our customers are charged at the prices at which they were purchased by the customers; consequently the debit side of the merchandise account does not furnish a true exhibit of our purchases; neither is the credit side a true exhibit of our sales. Since the merchandise account furnished no valuable information, other accounts which exhibit more vital statistics have been substituted.

45. *Purchase account* is one of the accounts substituted for the merchandise account. This account is charged with all purchases as represented by the footings of the purchase book or purchase journal. This completes the double entry, the separate purchases having been credited to the personal accounts of those from whom the goods were purchased. All returns or other similar

deductions allowed on purchase invoices are charged to those from whom the purchases were made and credited to purchase account. The balance of the purchase account then shows the total net purchases.

46. *Sales account* takes the place of the credit side of the merchandise account. All sales as shown by the footings of the sales book are credited to the sales account, completing the double entry. All returns and allowances are likewise charged to the sales account. The balance of the sales account shows total net sales.

SAMPLE TRANSACTIONS

47. The following transactions, properly recorded in journal sales book, purchase book, and ledger, demonstrate the uses of the merchandise, purchase, and sales accounts explained in the preceding paragraphs:

— Sept. 20 —

Bought from American Furniture Co., Grand Rapids

2 #four-drawer V F cabinets	$11.00	$22.00	
4 #35 card sections	4.20	16.80	
1 #35 top		1.75	
1 #35 base		1.25	$41.80

— 21 —

Bought from Morgan Printing Co., Chicago

5,000 #1 plain ruled #35 cards	.90	4.50	
3,000 #1 ledger " #35 "	1.50	4.50	
2,000 #1 " " #46 "	2.00	4.00	13.00

— 22 —

Sold to Ackers & Co., 224 Randolph St.

4 #35 sections	5.50	22.00	
1 #35 top		2.25	
1 #35 base		1.75	26.00

— 23 —

Sold to Thompson & Co., 94 Monroe St.

2,000 #1 plain ruled 35 cards	1.25	2.50	

— 24 —

Received from Ackers & Co.

1 #35 section 5.50
(Damaged)

— 25 —

Shipped to American Furniture Co.

1 #35 section 4.20
(Received in bad order)

In the first demonstration, the footings of the sales and purchase books, as well as the returns entered in the journal, are posted to a merchandise account. It will be noted that the debit side of the merchandise account does not represent the actual purchases, and the credit side does not represent the sales.

In the second demonstration, the purchase and sales accounts are used. Total sales are credited to sales account from sales book, and returns debited from the journal. The balances of these accounts show actual net purchases and sales.

Sales Book

| | | |

Purchase Book

| | | |

Merchandise — 3

Sept.	24			J	1			5	50	Sept.	25			J	1			4	20
	25			P	1			54	80		25			S	1			28	50
				First Demonstration															

4 — Ackers & Co., 224 Randolph St.

Sept.	22				1			26	00	Sept.	24			J	1			5	50

Thompson & Co., 94 Monroe St. — 5

Sept.	23				1			2	50										

6 — Purchases

Sept.	25			P.	1			54	80	Sept.	25			J.	1			4	20
		Second demonstration																	

Sales — 7

Sept.	25			J	1			5	50	Sept.	25			S	1			28	50
		Second demonstration																	

CLASSES OF ASSETS

48. Asset accounts are accounts representing resources or assets of the business. Assets are classified as *Fixed; Active* or *Floating; Passive* or *Speculative; Fictitious.*

Fixed assets are those permanent forms of property which are a necessary part of the equipment used for conducting the business—such as real estate, buildings, machinery, etc.

Active or *floating assets* are those forms of property of which the quantity in our possession varies from day to day—as merchandise, accounts, cash, etc.

Passive or *speculative assets* are those (*a*) whose values are not readily determined, or (*b*) whose values are subject to market fluctuations—as, for example, (*a*) franchises, copyrights, patents; (*b*) stocks, bonds, or other speculative securities.

Fictitious assets are those which are not represented by tangible property, or which are of value to a going business but would have no market value if the business were closed out or liquidated. These assets are frequently represented by an expense account on the books. The initial advertising expense necessary to launch the business successfully is frequently carried on the books as an asset. The amount of such advertising expense is spread over a stated period, a certain proportion being charged into the regular expense accounts each year until the entire amount is used.

49. Examples of Fixed Assets. The assets of an ordinary mercantile business are of the first two classes only—fixed and floating. The most common forms of fixed assets of such a business are:

Real Estate—generally understood to include land and buildings owned and used in the business.

Furniture and Fixtures—represented by office and store furniture, shelving, counters, stoves, furnaces or other heating appliances, lighting fixtures.

Horses and Wagons or *Trucks*—including all horses, wagons, trucks, harness, or motor-cars used for hauling goods.

If the business is one in which these classes of property are dealt in, they become active assets. Land, for example, would

be one of the *active* assets of a business organized to buy and sell real estate.

50. Examples of Floating Assets. The active or floating assets of a mercantile business are:

Merchandise—meaning the stock in trade or goods dealt in.

Accounts—the open accounts of customers who owe for goods purchased.

Notes or *Bills Receivable*—all outstanding notes payable to the firm.

Cash—the amount of cash on hand and in the bank.

51. Examples of Passive Assets. Passive or speculative assets are more frequently found on the books of a manufacturing business, a corporation, or a business a part or whole of which has been sold by the original owners. Examples of these assets are:

Patents—A manufacturer owns a patent the value of which depends upon future profits resulting from the manufacture and sale of the article which it covers. It is customary to place a value on the patent, and to consider it an asset of the business.

Good-Will—A man has established a business which has become extremely profitable, and in selling the business he places a certain value on the reputation or good-will which he has built up.

Speculative—A firm having a surplus not required in the business sometimes invests it outside of the business with the expectation of realizing a profit by selling at an advanced price. They buy grain or provisions, mining or railway stocks, etc. Or an investment may be made in the stock of some manufacturing business to be established in the town, because such an enterprise, if successful, will naturally result in an increase in their own business.

52. Examples of Fictitious Assets. Fictitious assets are seldom found on the books of other than corporations where a large initial promotion expense is involved. A good example of a fictitious asset is:

Advertising—A business house may decide on an average annual expenditure for advertising; but to be effective, the expenditures for the first two or three years may necessarily exceed this amount. The excess is considered as an investment since it is expected that as the business becomes firmly established the annual expenditure can be reduced to an amount even less than that estimated, gradu-

ally reducing the amount carried on the books as an asset. To illustrate:

Annual advertising appropriation for ten years is $10,000.00.		
Expended first year	$18,000.00	
Deduct appropriation	10,000.00	
To advertising inventory		8,000.00
Expended second year	15,000.00	
Deduct appropriation	10,000.00	
To advertising inventory		5,000.00
Expended third year	10,000.00	
Deduct appropriation	10,000.00	
To advertising inventory	000.00	
Appropriation fourth year	10,000.00	
Expended " "	8,000.00	
To credit advertising inventory		2,000.00
Appropriation fifth year	10,000.00	
Expended " "	9,000.00	
To credit advertising inventory		1,000.00
Appropriation sixth year	10,000.00	
Expended " "	10,000.00	
To advertising inventory	000.00	
Appropriation seventh year	10,000.00	
Expended " "	9,000.00	
To credit advertising inventory		1,000.00
Appropriation eighth year	10,000.00	
Expended " "	8,000.00	
To credit advertising inventory		2,000.00

Appropriation ninth year	10,000.00	
Expended " "	7,000.00	
To credit advertising inventory		3,000.00
Appropriation tenth year	10,000.00	
Expended " "	6,000.00	
To credit advertising inventory		4,000.00
	$13,000.00	$13,000.00

REVENUE ACCOUNTS

53. The term *revenue* (synonymous with *income*) is used to designate those items which, when brought together in an account, exhibit the profit or loss of the business.

Revenue receipts are the receipts which originate exclusively from the sale or exchange of the commodities or things of value for the handling of which the business has been organized.

Revenue expenditures are those expenditures connected with the expense of operation or administration of a business, including such items of expense as postage, printing, salaries, rent, etc.

Revenue accounts is a term used to designate those accounts that represent revenue receipts or revenue expenditures.

54. Revenue Receipts. The account representing revenue receipts in all lines of business (though it may sometimes be known by another name) is the *sales account*—a representative account showing net sales. Net sales, less cost of goods sold, represent gross profits. Gross profits, less cost of conducting the business (revenue expenditures) represent net profits.

55. Expense. The broad term *expense account* represents all revenue expenditures; but in modern bookkeeping the amounts of the different classes of expense are kept separate as far as possible.

Some of the most commonly used divisions of expense are: Rent; Insurance; Taxes, Interest and Discount; Out Freight and Express; Heat and Lights; Labor; Salaries, etc. It is customary to open one account in the name of *General Expense*, to care for expenditures not included in special accounts.

56. *Insurance*—A nominal account to which is charged all sums paid to insurance companies (called *premiums*), in consideration of which our property is insured against loss by fire, cyclones, or other disaster.

57. *Rent*—A nominal account to which is charged all sums paid for use of property which we rent or lease from others for the benefit of our business—usually the buildings in which our business is transacted or in which our goods are stored.

58. *Taxes*—A nominal account to which are charged all taxes and license fees paid on account of property owned or business transacted.

59. *Interest*—This is a nominal account which should include only interest charges paid or interest earned on account of capital. When we borrow money or discount a note, we do it because we need cash capital, and the interest paid is a capital expense or a direct source of loss. Exchange charged for the collection of notes and drafts belongs in the same class. All interest paid for the use of money, and exchange paid for the collection of notes, drafts, and checks, should be debited to interest account. When we save the discount by prepayment of bills, the discount is earned by the use of capital. All such earnings are a direct source of profit and should be credited to interest account. Discount paid on notes is interest paid in advance, and should not be confused with discounts allowed to customers for the prompt payment of bills; the latter is a reduction in the price received for our goods, and reduces trading profits. This question is discussed under the head of *Cash Discounts*.

60. *Out Freight and Express*—A nominal account which is debited with all transportation charges paid on goods that we ship, whether sales are made at delivered prices or freight is paid as an accommodation to the customer. When goods are sold at f. o. b. prices, and the freight is paid by us as an accommodation to the customer, out freight should be credited and the customer debited.

This should not be confused with *in freight*, or freight paid on goods received, as such charges add to the cost of the goods and should be charged to the account representing that particular class of goods.

61. *Heat and Light*—This account is debited with all sums paid for fuel, heating bills, lighting bills, and lighting supplies.

62. *Labor*—A nominal account which is debited with all sums paid as wages to mechanics or laborers employed by the business.

63. *Salaries*—A nominal account which is debited with all salaries paid to managers, salesmen, clerks, and others employed in the administration of the business.

RULES FOR JOURNALIZING

64. Journalizing is one of the most important operations in bookkeeping, since journalizing a transaction involves the selection of the proper accounts to be debited and credited completing the double entry. With the use of separate sales and purchase records, the journal itself is used principally for those entries involving a transfer of values from one account to another. These are frequently referred to as *cross entries*. The number of possible entries of this class is practically unlimited, and they require careful study on the part of the bookkeeper.

Rules for journalizing are frequently referred to in bookkeeping textbooks; but, since the custom of journalizing every transaction is now obsolete, the term is no longer sufficiently descriptive. A better term to use would be *rules for debit and credit*, for it is the rules of debit and credit that must be followed when a journal entry is to be made.

		DR.	CR.	SALES

65. Three-Column Journal. A three-column journal suitable for a small business is shown above. The third column is used for sales only, while the first two columns are used for regular journal entries. The use of the column for sales answers the same pur-

pose as a sales book, and total sales are posted to the credit of sales account at the end of the month.

SAMPLE TRANSACTIONS

66. For the purpose of demonstrating the principles of debit and credit as exemplified in the journal, the following transactions except those involving cash are *journalized* in a three-column journal. The third column is used for sales, and it is to be understood that a cash account is kept in a separate cash book.

— April 2 —

Sold to Hiram Watson on account

10# gran. sugar	5½c.	$.55	
3 bars soap		.25	
2# starch	5	.10	
2 cans corn		.25	$1.15

— 2 —

Paid electric light bill—cash 4.75

— 2 —

Sold for cash sundry merchandise 8.60

— 3 —

Bought from Eureka Milling Co. on account

5 bbls. XXX flour	3.75	18.75

— 4 —

Sold to J. L. Jarvis on account

¼ bbl. flour		1.25	
2# butter	.32	.64	
1# coffee		.30	
10# lard	.11	1.10	3.29

— 4 —

Bought from J. L. Jarvis on account

Fire Insurance on stock and fixtures, $3,000.00 for one year from date 18.00

— 5 —

Paid Eureka Milling Co. cash 18.75

— 6 —

Sold to J. L. Jarvis on account			
1# cheese		.16	
1 doz. eggs		.22	
1# baking powder		.50	
3 bu. potatoes	.65	1.95	2.83

— 6 —

Bought from Atlas Safe Co. on account	
1 office safe	50.00
Paid cash for repairs to door lock	.40
Sold for cash sundry merchandise	16.70

					Dr		Cr		Sales	
April	1	Hiram Watson				115				
		To 10# Gran sugar	05½	55						
		2 bars Soap		25						
		2# starch	05	10						
		2 cans corn		25						115
	✓	Cash Sales								860
	3	6 Purchase a/c				1875				
		4 To Eureka Milling Co						1875		
		5 bbls flour	3.75	1875						
	4	2 J L Jarvis				329				
		To ¼ bbl flour		125						
		2# butter	.32	64						
		1# coffee		30						
		10# lard	.11	110						329
	8	Expense				1800				
		To J. L Jarvis						1800		
		$3000.00 fire insurance								
		on stock & fixtures								
	6	2 J L Jarvis				283				
		To 1# cheese		16						
		1 doz eggs		22						
		1# baking powder		50						
		3 lbs potatoes	.05	195						283
	3	Furniture & Fix				5000				
	5	To Atlas Safe Co.						5000		
		1 office safe								
	✓	Cash Sales								1670
		Cr.								3257
	7	Sales a/c						3257		

Cash Received

Cash Paid

Apr.	5	-	Cash sales				8	60	Apr.	9	Heat & Light	Electric light bill			4 75
	6	-	" "				16	70		5	4	Eureka Milling Co.			18 75
										6	8	Expense	Repair to door lock		40

EXAMPLES FOR PRACTICE

1. After you become familiar with each entry and the nature of the accounts to be debited or credited, journalize the transactions given in Article 66, then compare with the model journal, and see if your work is correct.

2. Journalize the following transactions:

— April 10 —

Bought from David Cole & Son on account
100 bbls. flour at $4.60 $460.00

— 10 —

Sold to L. H. Stebbins on account
20 bbls. flour at 5.10 102.00

— 10 —

Sold to Henry Waterbury on account
30 bu. beans 2.00 60.00
20 " oats .37 7.40

— 11 —

Paid to David Cole & Son
Cash on account 160.00
Gave them my note for 30 days 300.00

— 11 —

Received note from L. H. Stebbins for 30 days to balance account 102.00

— 12 —

Paid cash for harness oil .35

— 12 —

Henry Waterbury paid cash on account 40.00

RULES FOR POSTING

67. The act of transferring all items from the journal, sales book, purchase book, cash book, or other books to the ledger is called *posting*. All items relating to one account are posted to that account in the ledger; thus all sales are posted to the sales account, and all transactions with a person are posted to the account of that person. Every debit must be posted to the debit side of the corresponding account in the ledger.

68. Routine. The first operation in posting is to open an account in the ledger by writing the name of the account on the line at the head of the ledger page. The month and day are then written in the date column; the page of the book from which the item is posted is written in the folio column, and the amount is placed in the money column. The final operation is to place the number of the ledger page in the folio column of the book from which the item was transferred, directly opposite the item posted.

Posting from Journal. In posting from the journal, all items in the left or debit columns are posted to the debit side of the corresponding ledger accounts, while all items in the credit column are posted to the credit side of the ledger accounts.

The first item in the journal in the preceding section is a debit to Hiram Watson, amount $1.15. It is necessary to open an account in the ledger, which is done by writing Hiram Watson's name at the head of the page, above the date column on the left side of the page; in the date column we write the date, April 2; in the folio column we write the journal page, 1; and in the money column we write the amount, $1.15. The number of the ledger page is now written in the folio column in the journal, directly opposite the name of Hiram Watson.

The second transaction recorded in the journal is a purchase which makes it necessary to open a purchase account in the ledger, to which is debited the amount of the purchase $18.75. The first transaction recorded in the journal is a sale, therefore the credit is to the sales account. Since we are placing all sales in a special column, the amount will not be posted until the end of the month, when the total sales will be posted to the credit of the sales account as one item. In the second transaction, the credit is to a personal

account, and we open an account in the ledger with Eureka Milling Co., following the same routine in posting as with debit items, except that the item is posted to the credit side of the account.

Posting from Cash Book. When posting from the cash book, it must be remembered that all items on the left-hand page (which debit cash) must be posted to the credit of some other account; and that all items on the right-hand page (which credit cash) must be posted to the debit of an account in the ledger.

Why cash received is entered on the left-hand page of the cash book, and cash paid out on the right-hand page, is a point not always clear to the bookkeeper. To obtain a clear view of this point, it should be remembered that the cash book is nothing more or less than a ledger account with cash, and cash received is entered on the left-hand page (or debit side) for the reason that any account is debited for what is received or is added to it.

We sell merchandise, for example, and the person is debited because he receives it. We buy real estate; the real estate account is debited because our real estate possessions are added to. Broadly speaking, we (the business) receive the real estate; but, instead of charging the amount to ourselves (the person), we charge it to *Real Estate*, that we may know the amount of our real estate investment.

A customer pays us cash; cash is debited because our cash possessions are added to. We might charge the amount to our account; but we prefer to charge it to a cash account that we may know how much cash we have on hand. We pay out cash; cash is credited because cash has gone out of our possession. The main point of difference is that we post to other ledger accounts direct from the cash book, which is itself a ledger account, instead of journalizing cash transactions.

If cash transactions were journalized—

Cash
  To Person
Person
  To Cash

the amounts would be posted to the debit or credits of the cash account in the ledger; but for convenience we keep the cash accounts in a separate book. Journalizing a few of the transactions given will clearly demonstrate the point.

TRIAL BALANCE

69. A *trial balance* is a list of the balances of all accounts remaining open in the ledger, together with the balance shown by the cash account. On journal paper, all open accounts are listed by name; the debit balances are placed in the debit column, and credit balances are placed in the credit column; the pages of the ledger are placed in the folio column, opposite the names of the account. Both debit and credit columns are footed, and the footings of the two columns should agree.

A trial balance is taken for the purpose of testing the accuracy of the postings to the ledger; to find out if the ledger is in balance. The trial balance can be taken without considering the balances, by taking the total debit and credit items posted to all open accounts.

While the trial balance shows that for every debit posted to the ledger a corresponding credit has also been posted (double entry principle), it does not absolutely prove the accuracy of the work. If a debit item of $100.00 were posted to the debit of the wrong account, it would not affect the balance of the ledger; but if the item were posted to the credit instead of to the debit of the account, the ledger would be out of balance and the amount that it was *out* would be shown by the trial balance.

CLASSIFICATION OF ACCOUNTS

70. The arrangement of the accounts in the ledger is of considerable importance. Since one of the objects of bookkeeping is to exhibit the standing or condition of the business, the accounts should be classified in a manner that will make easiest the assembling of important statistics.

The accounts in the ledger represent either *Assets* (resources), *Liabilities*, *Profits* (gains), or *Losses*. Every account having a debit balance represents either (*a*) an asset or (*b*) a loss. (*a*) A personal account having a debit balance represents an asset; (*b*) any expense account having a debit balance represents a loss, as it reduces the chance for profit.

Every account having a credit balance represents either (*c*) a liability or (*d*) a profit. (*c*) A personal account having a credit balance represents a liability—that is, something we owe; (*d*) a

sales account having a credit balance represents a profit because it increases our chance of gain.

71. Arrangement in Ledger. The foregoing classifications should be kept in mind in arranging the accounts in the ledger. First provide space for the asset and liability accounts; then follow with the profit and loss (or revenue) accounts. As far as possible, keep all asset accounts together, following the same plan with liability and profit and loss accounts.

The accounts are arranged in the trial balance in exactly the same order as they appear in the ledger; and if correctly classified they will show at a glance the assets (except inventories of merchandise) and liabilities of the business. Likewise the profit and loss accounts (also known as revenue accounts—see Article 53) will show total sales, purchases, and expense of conducting the business.

SAMPLE LEDGER ACCOUNTS

72. The ledger accounts shown on pages 80-81, representing the transactions given in the preceding set of sample transactions, demonstrate the proper arrangement of accounts, manner of posting, and the trial balance.

EXAMPLES FOR PRACTICE

1. From the copy of the journal (Article 66) which you have made, post the transactions to the ledger.

2. Post the transactions from the journal you have made (Exercise 2, preceding section) to the ledger.

3. Make a trial balance of the ledger accounts

1 Hiram Watson

Apr	2			J	1				1	15									

2 J. L. Jarvis

Apr.	4			J	1			3	29	Apr	4			J	1			1	800
	6				1			2	83										

3 Furniture & Fixtures

Apr.	6			Js	1			50	00										

4 Eureka Milling Co.

Apr.	5			CB.	1			1875		Apr.	3			J	1			1875	

5 Atlas Safe Co.

										Apr	6			J	1			50	00

6 Purchases

Apr.	3			J	1		1675		

7 Sales

						Apr.	6		3257

8 Expense

Apr.	4			J	1		1800		
	6			C.B.	1		40		

9 Heat and Light

Apr.	2			C.B.	1		475		

10

TREATMENT OF CASH DISCOUNTS

73. *Cash discounts* are discounts allowed for prepayment of bills. They are frequently confused with bank discounts (or interest collected in advance when notes are discounted), but are of an entirely different character.

When the price is made, the profits are calculated with the idea that the customer may take advantage of the cash discount; that is, the price after the discount is deducted includes a legitimate profit. We cannot debit the customer with the amount of the bill less the discount, for we do not know that he will take advantage of the discount; and so, the charge to the customer and credit to sales account is an amount which may never be received.

If the bill is paid less the discount, the amount deducted reduces our profit on the sale. It is not an allowance for the use of capital, for we can probably borrow money at 6 per cent, while the discount may be 5 per cent or more for anticipating payment 30 days or less.

74. Discounts Allowed. Cash discounts allowed must eventually come out of the profits arising from the sale of the commodities in which we are trading. There are two methods of charging cash discounts, either of which is considered correct:

(1) Open an account called *Discounts on Sales*, and charge to it all discounts allowed for the prepayment of bills. When the books are closed, the total will be charged against trading profits. This method is coming into general use, and may be considered standard.

(2) Charge to *Sales Account* directly all discounts allowed, treating them as allowances. The balance of the sales account will then represent net sales after returns, rebates, and cash discounts have been deducted. One feature to recommend this plan is that sales account does not show a fictitious volume of sales.

75. Entering Cash Discounts in Cash Book. When we receive payment from a customer who has deducted the cash discount, the discount must be taken account of in entering the payment, as the customer is to receive credit for the full amount. We might enter the cash payment in the cash book, and make a journal entry of the cash discount, but this would necessitate two postings from separate books.

A better method, and one which has become standard, is to provide a *cash discount column* in the cash book. When a column has not been provided for this purpose, a narrow column can be ruled in on the cash received or debit side of the cash book. This is carried as a memorandum until the end of the month, when the total is posted to the debit of discount on sales. Two ways of making the entry are shown (p. 84).

In Example No. 1, the cash discount is entered in the discount column, and the net cash received is entered in the cash column. When the payment is posted, two entries are made in the ledger. One advantage in this is that reference to the account of R. L. Brown & Co. shows at a glance whether they are taking advantage of cash discounts.

In Example No. 2, the cash discount is entered in the proper column, but the gross amount is entered in the cash column. The payment is then posted in one item, and reference to the ledger account does not show whether the payment of $100.00 is all cash or part discount. It is necessary, also, to deduct the footing of the discount column from the footing of the cash column to ascertain the amount of cash received. For these reasons the method shown in Example No. 1 is recommended.

76. Cash Discounts Earned. When we take advantage of the discount offered for the prepayment of bills, the discount earned can be considered a legitimate source of profit. Our own selling prices for goods purchased to be resold are based on the prices at which they are billed to us, without considering a possible saving by discounting our bills. Whether or not we discount our bills is largely a question of capital, and such earnings are legitimate profits entirely outside of regular trading profits. Discounts earned should be treated as interest earned and credited to interest account, from which they will find their way into profit and loss account.

Sept. 12

				C.D.				Dr.			
	3	R L Brown & Co (Example 1)			2	00			98	00	
	5	W L White & Co (Example 2)			2	00			100	00	

R L Brown & Co

Sept	7		2		100	00	Sept	12		1			98	00	
									Discount				2	00	

W L White & Co.

Sept	7		2		100	00	Sept	12		1			100	00	

PROFIT AND LOSS

77. The *profit and loss account* is a summary account made up of the balances of all income and expenditure (revenue) accounts in the ledger, the balance of this account representing the *net loss* or *net gain* of the business.

It is advisable to show the net profits for each year; and to accomplish this, it is customary to transfer the balance of profit and loss account at the end of the year. In single proprietorships and partnerships, the net gain is transferred to proprietor's or partner's investment accounts, while in a corporation it is usually transferred to a surplus account. A loss is transferred to a deficiency account.

78. Trading Account. This is a subdivision of profit and loss account intended to exhibit the gross profit derived from the manufacture or purchase and sale of goods in which the business is organized to trade. These profits are known as *trading profits*. Just what items of income and expenditure enter into trading profits or losses is an important question in the science of accounts. A safe rule to follow is to debit trading account with the cost of goods sold, including cost of preparing them for sale. In a manufacturing business the cost represents cost of raw materials and cost of manufacture. Credit the account with net income from sales, arrived at by deducting from gross sales all returns, allowances, rebates, and cash discounts.

All expenses incurred in selling the goods, and all expense of administration of the business, should be charged to profit and loss account proper. All profits arising from other transactions than trading should be credited to profit and loss. These include interest received on past due accounts, on notes, or for money loaned; discount earned by the prepayment of bills; profits from the sale of real estate or any property other than that in which the business is trading.

Trading Account, How Constructed. The trading account is made up by charging total inventory at the beginning of the year and purchases during the year; crediting net sales and inventory at the close of the year, the balance representing the gross profit.

TRADING ACCOUNT

Inventory Jan. 1	$ 8,500	00	Sales	$16,000	00
Purchases	12,000	00	Inventory Dec. 31	9,000	00
	20,500	00		25,000	00
Gross Profit	4,500	00			
	$25,000	00		$25,000	00

Turnover. It is desirable to know the cost of goods sold. This is known as the *turnover*, on which percentages of profit are based. The turnover may be found by deducting the present inventory from the debit side of the trading account.

TRADING ACCOUNT

Inventory Jan. 1	$ 8,500	00	Sales	$16,000	00
Purchases	12,000	00			
	20,500	00			
Less inventory Dec. 31	9,000	00			
Turnover	11,500	00			
Gross profit	4,500	00			
	$16,000	00		$16,000	00

79. Manufacturing Account. In a manufacturing business it is very desirable to know the cost to produce the goods; and for this purpose a subdivision of profit and loss, called *manufacturing account*, is used. The manufacturing account is debited with inventory of materials at the beginning of the year; purchases of material; labor or wages in factory, and all other expenses of manufacture; and credited with inventory of materials at the close of the year. The balance represents cost of manufactured goods to the trading division.

The principal value of these subdivisions of profit and loss lies in the fact that they reveal not only the *amount* but the *sources* of profits and losses, which is one of the important functions of accounting.

MANUFACTURING ACCOUNT

Inventory materials Jan. 1		$4,000	00	Inventory materials Dec. 31		$4,100	00
Purchases		6,000	00	Trading Account		11,300	00
Labor		5,000	00				
Rent, taxes, etc.		400	00				
		$15,400	00			$15,400	00

The profit and loss account of a professional or other non-trading concern need not be subdivided as explained for a trading concern. In a non-trading business, all accounts representing revenue receipts or revenue expenditures are transferred direct to profit and loss account.

80. Transfer of Gross Profit. The gross profit from trading is now transferred to the credit of profit and loss account, and this account is debited with the balances of all revenue expenditure accounts. Continuing the illustration from Article 78, we have:

PROFIT AND LOSS ACCOUNT

Rent		$300	00	Trading a/c		$4,500	00
Clerk		520	00				
Taxes		20	00				
Insurance		14	00				
Misc. expense		162	40				
Net gain		3,483	60				
		$4,500	00			$4,500	00

81. Transfer of Net Profit. The net gain is transferred to the credit of proprietor's account in a single proprietorship.

PROPRIETOR'S ACCOUNT

				Net investment Jan. 1		$6.475	00
				Profits		3,483	60
				Net investment Dec. 31		$9,958	60

MERCHANDISE INVENTORY ACCOUNT

82. The accounts now open in the ledger, other than proprietor's account, exhibit all assets and liabilities of the business with the exception of the present inventory, which is included in the trading account. The amount of the inventory is transferred to the debit of a merchandise inventory account.

MERCHANDISE INVENTORY

Dec. 31 Trading a/c		$9,000	00				

The books are now said to be *closed*, there being no open accounts except those representing assets or liabilities of the business.

BALANCE SHEET

83. A statement of the assets and liabilities of a business is called a *balance sheet.* If the assets exceed the liabilities, the difference is the *present worth.* If the liabilities exceed the assets, the business is *insolvent*, and the difference or balance shows the amount of insolvency.

The balance sheet is prepared from the ledger balances after the books have been closed. In arranging the accounts on a balance sheet, the assets should be listed first, followed by the liabilities. The balance will agree with the balance shown in the proprietor's or investment account.

For the business of a single proprietor, it is customary to list the accounts in the following general order:

First—Cash in bank and office.

Second—Open accounts and bills receivable.

Third—Merchandise per inventory, store fixtures, etc.

Fourth—Real estate.

The first two classes are termed *active* or *quick* assets, as they can be most readily converted into cash.

The liabilities represented by credit balances, are listed in the order of their urgency:

First—Open accounts due others.

Second—Bills payable.

Third—Mortgages or bonds payable.

The third class represents secured liabilities, while the first two represent unsecured liabilities.

Continuing the previous illustration, we find the balance sheet of our imaginary ledger to be as follows:

BALANCE SHEET DEC. 31

ASSETS						
Cash in Office		$ 24	50			
Cash in Bank		525	90	$ 550	40	
Open Accounts Receivable		647	10			
Bills Receivable		276	00	923	10	
Merchandise Inventory				9,000	00	
Total Assets						$10,473	50
LIABILITIES						
Open Accounts Payable		214	90			
Bills Payable		300	00	514	90	
Total Liabilities						514	90
Net Worth						$9,958	60

SAMPLE TRANSACTIONS

84. At the end of the first year, the trial balance of a single proprietorship was as follows:

DEBIT BALANCES

Bank Account	$ 764.20
Sundry Open Accounts Receivable	1,127.30
Bills Receivable	475.00
Furniture and Fixtures	325.00
Cash in Office	68.50
Purchases	9,571.40
Expense	675.00
Discount on Sales	96.75
Interest	72.10
	13,175.25

CREDIT BALANCES

Proprietor (Investment)	2,500.00
Bills Payable	2,000.00
Sundry Accounts Payable	1,761.60
Sales	6,913.65
	$13,175.25

The inventory at the end of the year was $4,962.30; at the beginning of the year, there was no merchandise in stock. The books are to be closed into trading and profit and loss, and a balance sheet prepared.

When closing the books, all entries necessary to adjust the balances of ledger accounts should be made through the journal. When an audit is made, it is difficult to trace the entries unless they are plainly stated in one group, which is provided when they are made in the journal. The making of entries in the ledger directly, also increases the opportunity for fraudulent entries. *Never make original entries in the ledger.*

EXAMPLE FOR PRACTICE

From the following trial balance prepare trading account; profit and loss account; and balance sheet.

TRIAL BALANCE

Proprietor (Investment)		$ 7,600.00
Bills Payable		4,000.00
Accounts Payable		1,470.00
Bank	$ 1,262.84	
Accounts Receivable	2,693.11	
Bills Receivable	4,360.00	
Merchandise Inventory	6,277.76	
Furniture and Fixtures	750.00	
Purchases	7,105.78	
Expense	1,416.30	
Discount on Sales	112.65	
Interest		44.20
Sales		10,985.70
Cash	121.46	
	$24,099.90	$24,099.90

Inventory at end of year $6,493.06.

1 Proprietor (Investment)

				Dec	31				25000 00
					31	Net profit	1		14670 70

2 Bank

Dec	31					76420			

3 Accounts Receivable

Dec	31					11270	30		

4 Bills Receivable

Dec	31					47500			

5 Merchandise Inventory

Dec	31					49623	0		

6

Furniture & Fixtures

Dec.	31							3	2	5	0	0							

Bills Payable

7

													Dec.	31				2	0	0	0	0	0

8

Accounts Payable

													Dec.	31				1	7	6	1	6	0

Purchases

9

Dec.	31							9	5	7	1	4	0	Dec.	31				9	5	7	1	4	0

10

Sales

Dec.	31			J	1			6	9	1	3	6	5	Dec.	31				6	9	1	3	6	5

Expense 11

Dec.	31							6	7	5	00	Dec.	31					6	7	5	00

12 Discount on Sales

Dec.	31							9	6	7	5	Dec.	31					9	6	7	5

Interest & Discount 13

Dec.	31							7	2	1	0	Dec.	31					7	2	1	0

14 Trading a/c

Dec.	31	Purchases	J	1				9	5	7	1	40	Dec.	31	Sales	J	1		6	9	1	3	65
		Disc on sales		1					9	6	7	5			Mdse Invt		1		4	9	6	2	30
		Profit & Loss						2	2	0	7	80											
							1	1	8	7	5	95							1	1	8	7	5	95

Profit & Loss 15

Dec.	31	Expense	J	1				6	7	5	00	Dec.	31	Trading	J	1		2	2	0	7	80
		Int & Disct		1					7	2	10											
		Net profit						1	4	6	0	70										
							2	2	0	7	8	0						2	2	0	7	8	0

CLOSING JOURNAL ENTRIES

| | | |

JOURNALIZING NOTES

85. When a note is received by us or we give our note to another, it is necessary to make a journal entry in order that there may be a proper record of the transaction on our books. Careful study is sometimes necessary to determine just how the entry should be made, and the following illustrations will serve as a guide.

86. When Received. When we receive a note, we debit bills receivable and credit the maker—that is, the person who gives us the note.

We receive a note from Samuel Smart for $100.00 payable in 30 days. The journal entry is:

Bills Receivable	$100.00	
Samuel Smart		$100.00
30-day note dated Sept. 10		

87. When Paid. When this note is paid, we debit cash and credit bills receivable. The entry is made in the cash book on the debit side which debits cash and credits bills receivable.

Bills Receivable	Samuel Smart's note due Oct. 10th	$100.00

88. When Collected by Bank. Perhaps the note was collected through our bank; in that case, the bank, instead of sending us the cash, will credit the amount to our account. The bank may, also, charge a small fee for collecting the money; consequently the amount placed to our credit will be the sum collected, less their fee. The entry in the journal would then be:

Bank	$99.85	
Interest and Discount	.15	
Bills Receivable		$100.00
Smart's note due Oct. 10th		
Collected by bank.		

89. When Discounted. At the time we received Samuel Smart's note, we may have needed the money for immediate use in our business. We would then take the note to the bank, endorse it payable to the bank, when they would discount it, giving us credit for the net proceeds. Since the money is advanced to us, the bank would charge us interest for its use, which amount would be de-

ducted from the whole amount, leaving the net proceeds. This amount would then be available for immediate use. The note is then the property of the bank; it has gone out of our possession and we have received the cash. The note is not paid, and in discounting it we have created a liability to the bank. Remembering that one of the functions of bookkeeping is to exhibit the true nature of our assets and liabilities, we open a *Bills Discounted* account in the ledger. The entry is:

Bank	$99.50	
Interest	.50	
Bills Discounted		$100.00

Discounted Smart's note due Oct. 10th.

90. When a Note Drawing Interest is Discounted. The above transaction presupposes that the note is given *without* interest; but if it were given *with* interest, the bank would simply add the interest to the principal and deduct the discount from the total. In the case the sum of the principal and interest ($100.00 + .50 = $100.50) is $100.50, and the discount $ .50, which would leave $100.00 as the net proceeds. If the amount of the note were larger or the interest was figured for a longer time, it would make a difference. Suppose the amount of the note to be $2,000.00, time 30 days, interest 6% per annum.

Principal	$2,000.00
Interest 30 days	10.00
Total	$ 2,010.00
Less interest on $2,010.00 for 30 days	10.05
	$ 1,999.95

Since the net amount realized is less than the face of the note, we need not consider the interest earned, but the entry would be:

Bank	$ 1,999.95	
Interest and Discount	.05	
Bills Discounted		$ 2,000.00

91. When a Note Drawing Interest is Paid. But suppose Samuel Smart's note is $100.00 for 30 days, with 6% interest, and that the note is kept by us and the money is paid directly to

us when due. We shall then receive the interest, in addition to the face of the note, making a total of $100.50. The entry would then be made in the cash book on the debit side, and would be:

Bills Receivable	$100.00	
Interest and Discount	.50	
Samuel Smart's note due Oct. 10, paid to-day.		

92. When a Discounted Note is Not Paid. When we discounted Samuel Smart's note of $100.00 for 30 days without interest at the bank, we were obliged to endorse it, which had the effect of a guarantee of payment. If not paid when due, the amount would be charged to our account at the bank. The note would again come into our possession, and the amount must be debited to some account, the credit being to the bank.

We have previously credited the amount to bills discounted, and our entry is:

Bills Discounted	$100.00	
Bank		$100.00
Samuel Smart's note not paid at maturity.		

But suppose the transaction to have been the one described in Article 90. The note returned to us is $2,010.00, that being the amount of principal and interest. Our bills receivable and bills discounted accounts show the item as $2,000.00 only. Therefore we must include the $10.00 in our adjusting entries which will be:

Bills Receivable	$10.00	
Interest added to Smart's note not paid when due		
Bills Discounted	$2,000.00	
Bank		$2,010.00
Smart's note not paid at maturity.		

93. When a Note is Past Due. The above entries leave this unpaid item in the bills receivable account. If the business is one in which a large number of bills are discounted, it will be advantageous to show past due bills receivable by themselves, leaving bills receivable account to represent only paper not due. The entry for a bill unpaid at maturity would be:

Bills Receivable Past Due	$2,010.00	
Bills Receivable		$2,010.00
Smart's note past due.		

94. When a Note is Renewed. We shall now suppose that Samual Smart finds that he will be unable to pay his note when due. He comes to us and offers a new note for 30 days, which we accept. He prefers to add the interest due on the original note to the principal, and makes his note for $100.50. We then return the original note and the entry is:

Bills Receivable	$100.50	
Interest and Discount		.50
Bills Receivable		$100.00

New note given by Samuel Smart to cover note due Oct. 10, with interest.

The effect of this transaction is that we have received a new note for $100.50, and we debit bills receivable. This new note pays an older one which goes out of our possession, so we credit bills receivable. The amount of the new note includes the interest on the old, and we credit interest.

We might have gone about this in a roundabout way by making these entries:

To cancel the old note:

Samuel Smart	$100.50	
Bills Receivable		$100.00
Interest and Discount		50

Note due Oct. 10th.

To enter the new note:

Bills Receivable	$100.50	
Samuel Smart		$100.50

New note 30 days to take up note due Oct. 10th.

These entries would leave the accounts in exactly the same condition as our first entry; and would serve no useful purpose. This is given as an illustration of how several entries may be made when the transaction could be as clearly explained in one.

95. When Renewed Note Has Been Discounted. If the note which Samuel Smart has renewed has been discounted at the bank, we must reimburse the bank in some manner before we can obtain possession of the original note. The most simple way to handle this transaction will be to give the bank our check to pay the note. The entry is:

Bills Discounted	$100.00	
Interest and Discount	.50	
To Bank		$100.50

Gave check to take up Samuel Smart's note.

We shall then treat the new note as previously explained. If, after getting it recorded on the books, we wish to discount this note, the entries will be exactly the same as when we discounted the original note.

96. When We Give or Pay a Note. When we give our note, the effect of the transaction is just the opposite of the receipt of a note. Instead of adding to one class of our resources we are increasing one class of our liabilities, in return for which we either receive something of value or reduce our liabilities of another class. When we give our note in payment of a loan, we receive cash; if we buy goods and give a note in payment, we receive merchandise: if we give a note in payment of an account, we simply reduce our liabilities of one class and add to those of another.

The entries necessary to properly record transactions involving notes given or bills payable, are not so complex as is the case with transactions involving bills receivable. The following illustrations cover transactions likely to arise in the average business:

We give our note for $100.00 payable in 30 days, without interest, to Western Grocer Co. in settlement of an account. The entry is:

Western Grocer Co.	$100.00	
Bills Payable		$100.00

Note 30 days without interest

When we pay the note the entry is:

Bills Payable	$100.00	
Bank		$100.00

Check to Western Grocer Co. to pay note due Oct. 10.

97. When Our Note Has Been Discounted. The Western Grocer Co. has either discounted the note or placed it in the bank for collection, and it is presented for payment by the Merchants Bank. We give them a check in payment, and the entry is:

Bills Payable	$100.00	
Bank		$100.00

Check to Merchants Bank to pay our note to Western Grocer Co., due Oct. 10.

The entry in this case is the same as in the previous illustration, with the exception of the explanation.

98. When We Pay Our Note With Interest. We give our note to Western Grocer Co. for $100.00 payable in 30 days, with interest at 6%. We pay the note by check, and the entry is:

Bills Payable	$100.00	
Interest and Discount	.50	
Bank		$100.50

Paid Western Grocer Co. note due Oct. 10, by check No. 10.

99. When We Discount Our Note. We wish to borrow $100.00 from the bank, and give our note for the amount, payable in 30 days. The bank discounts the note, placing the proceeds to our credit. The rate of interest charged is 6%. Our entry is:

Bank	$99.50	
Interest and Discount	.50	
Bills Payable		$100.00

Note for $100.00, 30 days discounted at bank.

100. When We Pay for Goods With Our Note. We buy goods from Michigan Milling Co. to the amount of $100.00, and tender our note at 30 days with interest, in payment. This makes it unnecessary for us to open an account with Michigan Milling Co. and the entry is:

Purchases	$100.00	
Bills Payable		$100.00

Invoice #16 from Michigan Milling Co.
Gave note for 30 days with interest at 6%.

101. When We Renew a Note. When this note is due, we find it inconvenient to pay, and give a new note for 30 days, adding the interest now due to the face of the original note. The amount of the new note is $100.50, and the entry is:

Interest and Discount	$ .50	
Bills Payable	100.00	
Bills Payable		$100.50

New note given Michigan Grocer Co. to renew note due Oct. 10, $100.00, interest $ .50, 30 days, with interest.

102. When We Renew Our Discounted Note. When our note given to the bank is due, we find it inconvenient to pay the entire amount. We give the bank a check for $50.00, and a new note at 30 days for the balance. The bank always collects interest in advance, so we shall be obliged to give them our note for $50.00 plus the interest, or $50.25. In effect, the bank discounts our note for $50.25, the proceeds, $50.00, paying the balance of our note now due. The entry is:

Bills Payable	$100.00	
Interest and Discount	.25	
Bank		$50.00
Bills Payable		50.25
Gave check for $50.00 to apply on note due at bank to day.		
Discounted new note for $50.25, payable in 30 days.		

JOURNALIZING DRAFTS

103. When a draft has been accepted, it should be treated the same as any other form of bill receivable or bill payable. If we make a draft on a customer, which he accepts, it becomes a bill receivable. If we accept a draft drawn on us, it becomes a bill payable.

Sight drafts are frequently made use of as a convenient means of collecting an account. Such drafts are taken to our bank for collection, but they do not give us credit for the amount until the draft is paid. Drafts of this kind, which are placed with the bank for collection only, are not treated as bills receivable, as we do not credit the account of the one on whom it is drawn until payment is received.

104. When Our Sight Draft is Paid. We draw on Samuel Smart at sight for $50.00 through our bank. When paid, we receive credit at the bank for the amount, less collection charges. The entry in our journal is:

Bank	$49.90	
Interest and Discount	.10	
Samuel Smart		$50.00
Paid sight draft		

105. When Discounting Time Draft. Samuel Smart owes us $100.00, and while the amount is not due for 30 days, we have reason to believe that he will accept a draft payable in 30 days. We accordingly draw on him through our bank. Our reason for doing this is that his acceptance will be a promise to pay, and our bank will then discount the draft. The draft is accepted, and our bank notifies us that the proceeds have been placed to our credit, the draft being discounted at 6%. The entries are:

Bills Receivable	$100.00	
Samuel Smart		$100.00
Samuel Smart accepted our 30-day draft		
Bank	99.50	
Interest and Discount	.50	
Bills Discounted		$100.00
Discounted Samuel Smart's 30-day acceptance.		

106. When We Accept. When we accept a draft payable at a future date, it immediately becomes a bill payable and should be so treated.

We accept the 30-day draft of the Western Grocer Co. for $200.00. Our journal entry is:

Western Grocer Co.	$200.00	
Bills Payable		$200.00
Accepted 30-day draft.		

107. When We Pay an Acceptance. When this draft is due, we pay it, giving our check to the bank. The entry is:

Bills Payable	$200.00	
Bank		$200.00
Gave check to pay draft of Western Grocer Co.		

108. When We Pay a Sight Draft. Instead of accepting a time draft, we pay a sight draft of Western Grocer Co. for $200.00. In this case it has not become a bill payable, and our entry is:

Western Grocer Co.	$200.00	
Bank		$200.00
Check to Merchants Bank to pay sight draft.		

EXAMPLES FOR PRACTICE

The following examples are to be journalized by the student after he has become thoroughly familiar with the transactions previously explained:

— Nov. 6 —

Received from Jackson & Co. their note for $214.00 without interest, payable in 30 days, in full settlement of account.

— Nov. 6 —

Received from David Newman his note for $650.00 with interest at 6%, payable in 30 days, in settlement of account. We discounted this note at First National Bank.

— Nov. 7 —

Paid our note given Oct. 6, to National Spice Co., amount $150.00 with interest at 6%. This note was paid by check #11 to Mechanics Bank.

— Nov. 8 —

Bought from Valley Mills on our note for 30 days with interest at 6%, 100 bbls. flour at $5.25 per bbl.

— Nov. 9 —

Discounted our note for $1,000.00, 30 days, at First National Bank.

— Dec. 6 —

Jackson & Co., paid their note due to-day, $214.00.

— Dec. 6 —

David Newman paid $300.00 on his note due to-day. Gave new note for balance due, payable in 30 days with interest at 6%.

— Dec. 8 —

Paid our note to Valley Mills by check #11.

— Dec. 9 —

Paid $500.00 on our note to First National Bank by check #12. Gave new note for $500 payable in 30 days, interest at 6%.

— Dec. 9 —

Andrew White paid sight draft, $42.60, through First National Bank, exchange $ .10.

— Dec. 9 —

J. D. Jenks accepted our 30-day draft for $140.00, which we discounted at First National Bank at 6%.

— Dec. 10 —

Accepted a 30-day draft for $75.00 drawn by Eastern Woodenware Co.

— Dec. 11 —

Gave First National Bank our check for $90.00 to pay 60-day draft of Farwell & Graves accepted by us Oct. 11.

— Dec. 12 —

Gave First National Bank our check for $41.00 to pay sight draft of Dun & Co.

PART II

SINGLE PROPRIETORS' AND PARTNERS' ACCOUNTS

RETAIL BUSINESS

1. In this section we demonstrate complete sets of books for a retail business, showing every necessary step in bookkeeping from the opening of the business. The first set represents a small business in which the simplest methods are adequate. The business is owned by a single proprietor who opens a retail grocery store.

2. Opening the Books. Remembering that bookkeeping is the art of recording the transactions of a business, the first thing to be done is to make the proper opening entry of the books. Being the opening entry, it should record the first fact of importance, which is that the business has been opened. Since bookkeeping should exhibit the exact financial standing of the business, the next step will be a complete statement of assets and liabilities.

It is customary to make this opening entry on the first page of the journal. The entry should be a plain statement of facts which can be readily understood by anyone.

3. Books Used. In this set, the books used are Journal, Cash Book, and Ledger. In addition a *counter book* or *blotter*, corresponding to a day book, is used. This is a rough book in which are recorded sales on account, cash purchases, and sometimes payments on account. The entries are merely memoranda of transactions, made when they occur, to be later entered in the regular books. No bookkeeper being employed, it would be inconvenient for the proprietor or his clerk to go to the desk and make a detailed entry every time a sale is made, and so the transaction is entered in pencil in the blotter. Bookkeeping records must be permanent, and should always be made in ink; and it is advisable, when possible, to have all entries made in one handwriting.

A sample page of the blotter, which illustrates its use, is shown

(p. 3). The marks // indicate that the item has been transferred to journal or cash book.

4. The ledger used is one with journal ruling. In posting, each item is entered in the ledger. This is a very satisfactory plan for a small business, as the items of which each charge is composed can be seen at a glance. More space is required for an account, but the saving in time in making statements is a distinct advantage, especially when the proprietor is his own bookkeeper. With the ordinary style of ledger, it is necessary to refer to books of original entry to find the items.

8

John Smallwood

Nov.	21	5# Butter 15c. 4# Lard 50. 1 doz Eggs 25	J	1						1	75						
	24	2# Cheese 32. 1 bot Vanilla 35. 1# Coffee 35. 1# Tea 60	J	2						1	62						
		To Cash	C	1					2	5	00						
		By Potatoes	J	2											6	0	00
	30	To 1 bbl Salt 1.10	J	3						1	10						

Ledger with Journal Ruling

5. Statements. Customers frequently request detailed statements of account which will give full particulars of each transaction, including each item. At other times the proprietor sends statements to his customers, with a request for payment. When this is done, it is not necessary to enter each item, a statement of the balance due being sufficient unless an itemized statement is requested by the customer.

6. The business is opened by William Webster on the 21st day of November, 190–. He is to conduct a retail grocery business, and has rented a store from Wm. Bristol at a monthly rental of $30.00. His resources consist of cash $600.00; merchandise, consisting of a miscellaneous stock of groceries, $964.50; personal accounts due him as follows: Henry Norton, $25.00; L. B. Jenkins, $22.70. His liabilities consist of two accounts due for goods purchased, as follows: Brewster & Co., Rochester, N. Y., $115.20; Warsaw Milling Co., $64.00. The opening entry, which furnishes a permanent record of these facts, is shown (p. 4).

7. Proprietor's Account. The proprietor's account is an account representing capital when the business is owned by a single proprietor. When the business is started, this account is opened in

DAY BOOK or BLOTTER

Nov 21

| | | |

Nov. 21, 1908

Commenced business today as a retail grocer, in a store rented from Wm. Bristol located at 38 Main St. for which I am to pay $30.00 per month rent. My resources and liabilities are as follows:-

Resources

Cash on hand						6	0	0	00		
Merchandise Inventory						9	6	4	50		
Henry Norton, his owes me							2	5	00		
L. B. Jenkins.	.	..	.				2	2	70		

Liabilities

Brewster & Co. Rochester, Lowethem										1	15 20
Warsaw Milling Co.	..	..	..								64 00
Wm. Webster, Prop. Net worth.										14	33 00

Opening Entry in Journal

the name of the proprietor (Wm. Webster, Proprietor), and to it is credited his net investment. From time to time the books are closed and the proprietor's account then receives credit for the net profits or is debited with the net losses of the business.

When the proprietor withdraws money or goods from the business for his personal use, the amount may be charged to his investment or proprietorship account, or to a personal account (Wm. Webster, Personal) opened in his name. The latter method is recommended by some writers for the reason that the proprietor's personal expenses, or those of his family, are then separated from the expenses or capital expenditures of the business. As a customer of the business, he is placed on the same basis as any other individual. But the personal account must be closed some time; he must pay it in cash, or close it into profit and loss so that it finally operates to reduce his net investment.

It appears, therefore, that the question whether withdrawals are charged to the investment or a personal account is largely a matter of personal preference.

8. The opening entries having been made, the books are now ready for the recording of the regular transactions of the business. The following transactions are shown in the model set, but the blotter is omitted, all transactions being entered in the journal and cash book. The sample page of the blotter described in Article 3 is sufficient to illustrate its use.

SAMPLE TRANSACTIONS

9.

—Nov. 21 —

Sold to Henry Norton on account,

10# sugar	.05½	$ .55
2 cans corn		.25
1 can peas		.15
3# rice		.30
		1.25

—Nov. 21 —

Sold to John Smallwood on account,

5# butter	1 00
4# lard	.50
1 doz. eggs	.25
	1.75

— Nov. 21 —

Cash sales 14.10

— Nov. 22 —

Sold to Harry Webster on account,

7 bars Lenox soap		.25
1 pkg. gold dust		.20
matches		.15
¼ bbl. flour		1.35
		1.95

— Nov. 22 —

Bought for cash

10 doz. eggs	.21	2.10

— Nov. 22 —

Cash sales 11.27

— Nov. 23 —

Bought from H. Klink & Co., Buffalo, N.Y., on account,

178# hams	.11	19.58
200# lard	.13	26.00
		45.58

— Nov. 23 —

Sold to F. W. Bradley on account,

2 bu. potatoes	1.60

— Nov. 23 —

Sold to C. D. Glover on account,

1 bbl. apples	3.25
5 gal. vinegar	1.25
	4.50

— Nov. 23 —

Cash sales 13.20

— Nov. 24 —

Bought from John Smallwood on account,

100 bu. potatoes	.60	60.00
Paid him cash		25.00

— Nov. 24 —

Sold John Smallwood on account,

2# cheese	.32
1 bottle vanilla ext.	.35
1# coffee	.35
1# tea	.60
	1.62

—Nov. 24—

Sold to A. C. Maybury on account,

1# royal baking powder	.50
1# corn starch	.10
1# soda	.10
2 pkgs. jello	.20
	.90

—Nov. 24—

Cash sales 15.10

—Nov. 25—

Paid Brewster & Co.

Cash 115.20

—Nov. 25—

Sold to L. B. Jenkins on account,

½# pepper	.20
½# cloves	.20
¼ bbl. flour	1.35
	1.75

Sold to D. E. Johnson on account,

12# ham	.14	1.68

—Nov. 25—

Received from Henry Norton

Cash 26.25

—Nov. 25—

Cash sales 13.00

—Nov. 26—

Sold to Wm. Bristol on account,

11# ham	.14	1.54
1 qt. bottle olives		.50
2# coffee		.70
20# sugar	.05½	1.10
		3.84

—Nov. 26—

Credit Wm. Bristol

1 month's rent 30.00

—Nov. 26—

Sold to C. D. Glover on account,

¼ bbl. flour	1.35
1# baking powder	.50
7 cakes borax soap	.25
	2.10

—Nov. 26—

Paid clerk hire 8.00

—Nov. 26—

Cash sales 18.70

—Nov. 28—

Sold to H. N. Shaw on account,

1 bu. potatoes		.80
1 doz. cans corn		1.50
		2.30

—Nov. 28—

Sold to Watkins Hotel Co., on account,

10 bu. potatoes	.75	7.50
50# lard	.10	5.00
20# ham	.13½	2.70
		15.20

—Nov. 28—

Cash sales 9.45

—Nov. 29—

Bought from Lowell & Sons

500# sugar	.04¾	23.75
50 gal. molasses	.30	15.00
		38.75

—Nov. 29—

Bought from Star Salt Co.

10 bbls. salt	.80	8.00

—Nov. 29—

Sold to R. H. Sherman on account,

1# coffee	.25
1# chocolate	.45
1 qt. olive oil	1.35
¼# ginger	.15
¼# pepper	.15
1 pkg. mince meat	.10
2# lard	.25
	2.70

—Nov. 29—

Cash sales 14.35

—Nov. 30—

Received from F. W. Bradley
Cash 1.60

—Nov. 30—

Paid Warsaw Milling Co.
Cash 64.00

—Nov. 30—

Sold to John Smallwood on account,
1 bbl. salt 1.10

—Nov. 30—

Sold to D. E. Johnson on account,

10# lard	.10	1.00
1# baking powder		.50
1 pk. apples		.35
		1.85

—Nov. 30—

Bought for cash

5 bu. apples	1.00	5.00

—Nov. 30—

Cash sales 17.90

| | | |

Nov. 23 to Nov. 23

| | | |

Nov. 26

| | | |

Nov 21	~	Cash on hand					60	00	Nov 22	2	Merchandise Purchases			2	10		
	4	Merchandise Sales			14	10			24	8	John Smallwood on a/c			25	00		
22	4	Merchandise Sales			11	27			25	18	Brewster & Co on a/c			11	52	20	
23	4	Merchandise Sales			13	20			26	3	Expense, Paid clerk hire			8	00		
24	4	Merchandise Sales			15	10			30	19	Warsaw Milling Co. on a/c			64	00		
25	6	Henry Norton a/c			26	25				2	Merchandise Purchases			5	00	219	30
	4	Merchandise Sales			13	00											
26	4	Merchandise Sales			18	70											
28	4	Merchandise Sales			9	45											
29	4	Merchandise Sales			14	35											
30	10	F. W. Bradley a/c			1	60											
	4	Merchandise Sales			17	90			154	92							
									754	92							

William Webster, Proprietor

| | | |

Merchandise Sales

| | | |

6

Henry Norton

| | | |

11

C. D. Glover

| | | |

16

Wm Bristol

| | | |

Lowell & Sons

Nov.	29	By Inv. No. 2						J.	3											38	75		

Star Salt Co.

Nov.	29	By Inv. No. 3						J.	3											1	00		

Journal Ruled Retail Ledger

At the close of business, Nov. 30, a trial balance of the ledger accounts is taken. No attention is paid to the accounts which are closed, the open accounts being only included in the trial balance.

The proprietor wishes to know whether the business has made or lost money, and what the gross and net profits (or the losses) have been. To obtain this information the books are to be closed. Before this process can be completed, it is necessary to know the value of goods now in stock—that is, to *take an inventory*.

INVENTORY

10. An inventory is taken by counting, measuring, or weighing all goods in stock. The stock is listed on journal paper or in a day book, listing first the quantity; second, the name of the article; third, the price; fourth, the value of each item.

90 bu.	potatoes																		.60			54	00

Inventory Sheet

Trial Balance Nov. 30.

| | | |

may be. We have learned that in a single proprietorship, profit and loss is finally closed into capital or investment account.

This being a trading business, the first step is to open a *trading account* for the purpose of finding the gross profit. The accounts now in the ledger to be closed into trading account are *merchandise, inventory*, and *purchases*, which are entered on the debit side; and *sales account*, which is entered on the credit side. The present inventory is now entered on the credit side; the two sides of the account are footed; and the difference or balance represents the gross gain or loss.

13. The trading account shows a credit balance or gross profit of $92.00. This balance is now closed into profit and loss, being entered on the credit side. The only revenue account now open is expense, which shows a debit balance of $38.00. This is a revenue expenditure, representing a loss, and is therefore transferred to the debit or loss side of profit and loss account.

Profit and loss shows a credit balance or net profit of $54.00. The balance closes into the account of the proprietor, where it is entered on the credit side increasing his net investment to $1,487.00.

NOTE—Complete postings from page 4 of the journal.

14. *A balance sheet* should now be prepared; and if our work is correct in every particular, the present worth will correspond in amount with the net investment shown by the proprietor's account.

BALANCE SHEET, NOV. 30

		Assets	
Cash		$ 535.62	
Accounts Receivable	57.63		
		$ 593.25	
Merchandise Inventory	1,042.77	1,042.77	1,636.02
		Liabilities	
Sundry Accounts Payable	149.02		149.02
Present Worth			$1,487.00

Nov. 30, 1906.

| | | |

EXERCISE

15. On a certain date the assets and liabilities of John Noble are as follows:

ASSETS: cash, $450.00; inventory, $762.50; due from sundry debtors—John Lane $30.00, Henry Watson $17.60, D. B Olin $27.60.

LIABILITIES: due sundry creditors—Perkins & Co. $90.00, F. C. Watkins $54.00.

The following transactions take place:

April 1: Sold to Wm. Aultman on account, 1 bbl. apples $4.50; 10 bu. corn @ 48c. Bought from Mills & Sweet, 114# cheese at 11c.

April 2. Sold to Henry Watson on account, 10 bu. potatoes @ 75c; D. B. Olin paid his account in cash; sold for cash, miscellaneous merchandise $17.20.

April 3. Sold to Andrew Nevin on account, 20# lard at 11c, 14½# ham at 15c; sold to Homer Miller on account, ¼ bbl. flour, $1.55, 3 doz. eggs @ 26c, 20# sugar @ 5¼c; sold for cash, miscellaneous merchandise $18.60.

April 4. Paid Perkins & Co., cash 90.00; sold Marvin Stetson 1 bbl. apples $4.50, 2# coffee @ 40c, 1# tea @ 60c; Wm. Aultman paid his account in full; sold for cash, miscellaneous merchandise $16.30.

April 5. Bought from Geneva Milling Co. 100 bbls. flour @ $3.25; sold to D. Wiseman 2 bbls. salt @ $1.10, 10# sugar @ 5½c; sold for cash, miscellaneous merchandise $14.90.

April 6. Sold F. C. Watkins 20 bu. corn @ 35c, 10# butter @ 30c, 1 vinegar cask $1.50; paid F. C. Watkins cash $42.50; Henry Watson paid his account in full; paid 1 month's rent $35.00; paid clerk hire $7.00; sold for cash, merchandise $27.90.

At the close of business, the merchandise inventory was $987.75.

Using journal, cash book, and ledger, open the books, enter and post these transactions Make a trial balance and a balance sheet, showing present worth. Does the business show a profit or a loss, and how much? How is the amount determined from the balance sheet?

Close the books into the proper accounts, showing gross and net profit and loss. To what account is the profit or loss transferred?

RETAIL COAL BOOKS

16. The proprietor wishes to retire from the grocery business, and, having an opportunity to sell the stock at inventory value, does so, receiving $1,042.77 in cash. He immediately pays sundry accounts payable, $149.02. He collects all accounts receivable except the amount due from L. B. Jenkins, $24.45. This leaves him with assets consisting of cash $1,462.55; due from L. B. Jenkins, $24.45; and no liabilities.

He next engages in the retail coal business, investing his entire assets. He rents an office and yards at $40.00 per month, and engages a teamster who owns a team and wagon, paying him $24.00 per week.

17. In this business there are introduced a sales book, with which the student is familiar, and a form of ledger known as *center ruled* (p. 25). This form at first appears slightly confusing; but there is considerable advantage in having the debit and credit columns side by side, as balances can be calculated more readily.

18. The cash book used is one having three columns. On the debit side the third column is used for cash sales. The footing is carried forward until the end of the month, or any other time when a trial balance is desired, when the amount is posted in one item. All bills are paid by check, the money received being deposited in the bank.

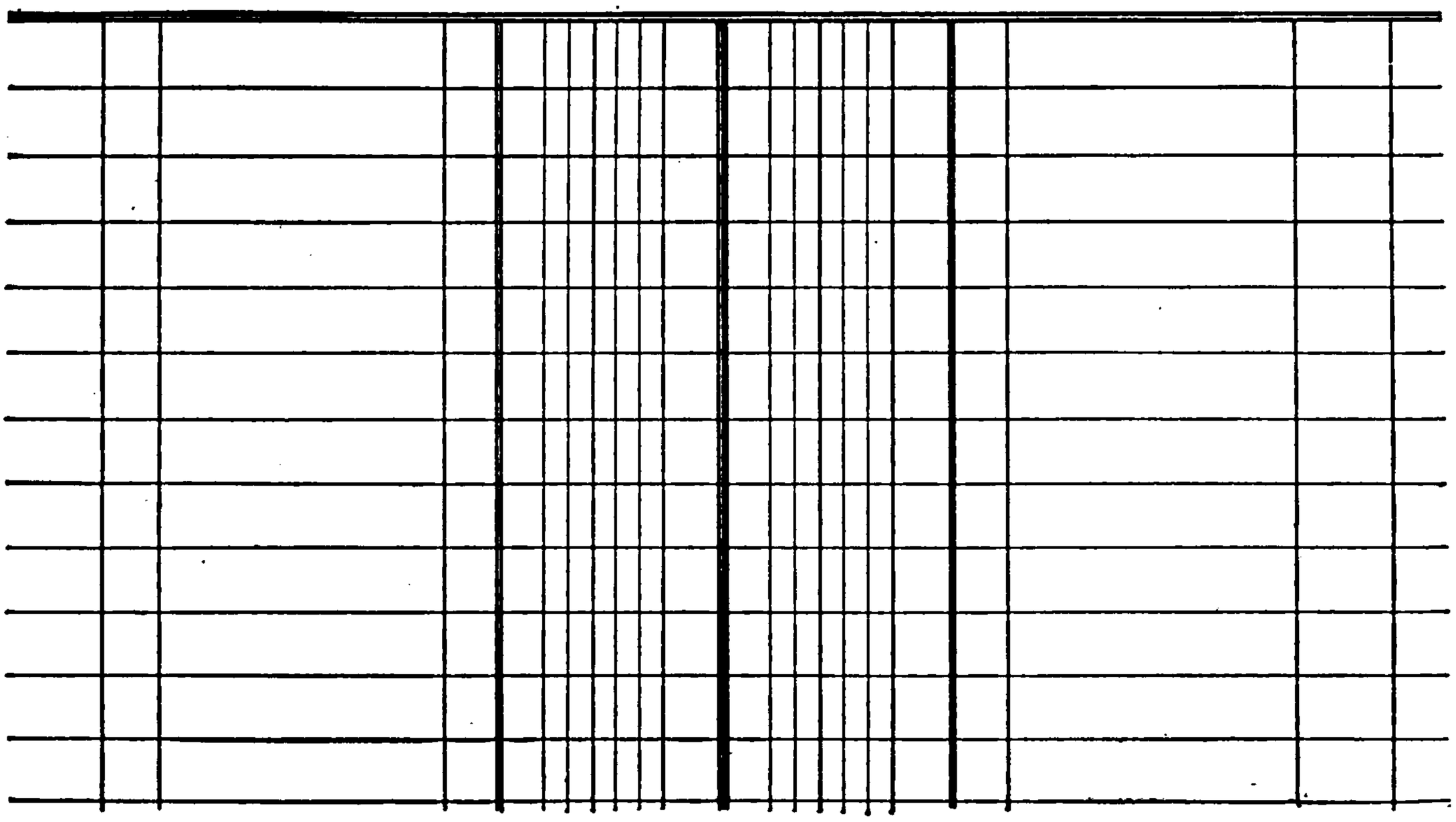
19. An auxiliary book used in this business is a *scale book*, in which are recorded the weight of wagon, gross and net weights. Weighing the delivery wagons used by the business each morning is sufficient; this weight can be used on each load hauled for the day. And on deliveries made by the regular wagons, it is not necessary to record the weight of each load in the scale book; knowing the tare, the net weight can be recorded in the sales book.

The principal use of the scale book is to record the weights of coal sold at the yards and hauled by the purchaser. When a wagon comes to the yard for a load of coal, it is of course necessary to obtain first the weight of the empty wagon; and it is important that both this and the gross weight be permanently recorded to prevent later disputes. The scale or weight book is usually made with sheets of from four to six weight tickets, perforated, having

stubs which are exact duplicates of the tickets. The perforated ticket is given to the customer and the stub remains in the book as a permanent record.

Since it is necessary to enter the weights in two places, and because this duplication of work is liable to result in errors, a better plan would be to omit the stub and make the book with carbon duplicate tickets. Even with the old style of book a sheet of carbon paper can be placed between two sheets and two copies of the ticket made at one writing; the record sheet to remain in the book. See illustration, p. 26.

CENTER RULED LEDGER



20. Uncollectable Accounts. In the closing entries of the last model set, we have shown that the gross trading profits are represented by the balance of trading account. All profits from other sources are credited directly to profit and loss account; likewise all other losses are charged directly to profit and loss. One such source of loss is *uncollectable accounts*. To charge the loss resulting from an uncollectable account against trading profits would create a false showing in respect to the trading profits during the current period, for the reason that the account may represent sales made during a former period.

TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER	TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER
TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER	TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER
TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER	TO _____ _____ ARTICLE _____ LBS. _____ _____ DATE _____ 19 _____ _____ WEIGHER

Scale Book

SAMPLE TRANSACTION

21. The transactions which follow represent the business for the period covered:

—Dec. 10—

Commenced business with the following assets:

Cash		$1,415.55
Due from L. B. Jenkins		24.45

—Dec. 10—

Bought from Lehigh Coal Co., on account,

25 tons nut coal	$4.25	106.25

—Dec. 10—

Bought from Reading Coal Co., on account,

25 tons egg coal	4.25	106.25
15 tons pea coal	3.75	56.25
		162.50

	—Dec. 10—		
Deposited cash			1,400.00
	—Dec. 11—		
Sold to Henry Newton			
2,000# nut		5.25	5.25
	—Dec. 11—		
Sold to D. H. Kennedy			
6,000# egg		5.75	17.25
4,000# nut		5.75	11.50
			28.75
	—Dec. 11—		
Sold for cash			
1,000# nut		5.25	2.63
	—Dec. 12—		
Sold to Andrew White			
4,000# egg		5.75	11.50
1,000# pea		5.25	2.63
			14.13
	—Dec. 12—		
Sold to F. W. Francis			
6,000# nut		5.75	17.25
1,500# pea		5.25	3.94
			21.19
	—Dec. 12—		
Sold for cash			
4,000# nut		5.75	11.50
	—Dec. 13—		
Bought from Lackawanna Coal Co.			
50 tons run of mine		3.25	162.50
	—Dec. 13—		
Sold to Eastern Foundry Co.			
25 tons run of mine		3.75	93.75
	—Dec. 13—		
Sold to Geo. Miller			
8,000# egg		5.75	23.00

—Dec. 13—

Sold for cash

2,000# nut	5.75	5.75
4,000# nut	5.25	10.50
2,000# pea	4.75	4.75
		21.00

—Dec. 13—

Deposited all cash on hand

—Dec. 14—

Bought from Lehigh Coal Co.

30 tons nut	4.25	127.50

—Dec. 14—

Sold to Lotus Club

10 tons nut	5.75	57.50

—Dec. 14—

Sold to David Meyer

4,000# pea	5.25	10.50

—Dec. 14—

Sold to City Wagon Co.

10,000# run of mine	4.50	22.50

—Dec. 14—

Sold for cash

6,000# egg	5.25	15.75

—Dec. 15—

Paid Lehigh Coal Co.

Check #1	106.25

—Dec. 15—

Received from D. H. Kennedy

Cash in full payment of his account.

—Dec. 15—

Sold to Samuel Hartley

1,000# pea	4.75	2.38
2,000# nut	5.25	5.25
		7.63

—Dec. 15—

Sold for cash

2,000# pea	5.25	5.25
5,000# nut	5.25	13.13
4,000# egg	5.25	10.50
3,000# run of mine	4.25	6.38
		35.26

—Dec. 15—

Paid Henry Wiggins, teamster

Check #2 24.00

—Dec. 15—

Paid D. H. Tuttle

1 month's rent, check #3 40.00

—Dec. 15—

Deposited all cash on hand

—Dec. 15—

Charged L. B. Jenkins account to profit and loss

22. Open the books, using cash book, sales book, journal, and ledger. Enter each transaction, and make all postings to ledger. Take off a trial balance of the ledger accounts.

At the close of business, Dec. 15, the inventory is taken, and shows the following quantities on hand:

38	tons	nut	@ 4.25
14	"	egg	@ 4.25
9	"	pea	@ 3.75
18½	"	run of mine	@ 3.25

Close all accounts representing trading transactions into a trading account, and find the gross trading profit or loss.

Close trading and revenue expenditure accounts into profit and loss account.

Close net profits into proprietor's account.

Bring down the balances in the ledger and take a new trial balance.

SALES TICKETS

23. In a retail business it is necessary for the sales person to record purchases at the time the goods are selected by the customer.

When but one or two clerks are employed, it is possible to record these sales in a counter book or blotter; but in a larger business employing several clerks, this method would be extremely inconvenient. The bookkeeper would be obliged to wait for the books; and even if two sets of counter books were provided for use on alternate days, the work would always be at least one day behind.

The increase in the volume of business transacted, and the multiplicity of transactions in a retail store, have been responsible for the introduction of many labor-saving methods and devices. One of these now used in all large stores and in many small ones, is the *sales ticket.*

The sales ticket is to all intents and purposes a small invoice blank. Sales tickets are put up in pads or in book form, and are numbered in duplicate. The number is prefixed by a letter—as *H* 10—which is intended to indicate either the department or the sales person. When a sale is made, the ticket or bill is made in duplicate by means of carbon paper; one copy is given to the customer, and the other retained. If it is a cash sale, the copy retained goes to the cashier with the money; if a sale on account, to the bookkeeper to be charged.

These sales tickets are also used for taking orders for future delivery, both copies being retained until the order is filled. When delivery is made, one copy goes to the customer as a bill. Aside from the time saved, the sales ticket is a great convenience, as its use gives the customer a bill for every purchase.

DEPARTMENTAL RECORDS

24. When the goods sold are divided into departments, it is here customary to record carefully the purchases and sales for each department. These records are provided for by the use of purchase and sales books having as many columns as there are departments. Let us suppose that the business under consideration is a single proprietorship, and that the goods sold are clothing, shoes, and furnishings. Each class of goods is kept in a separate department, sales and purchases being recorded by departments.

25. Purchase and sales books of a special design are used, each having three special columns. It will be noted that neither purchases nor sales are recorded in detail, but that both purchase invoices and sales tickets are recorded by number, and only the

totals extended in the proper column. The charges and credits are posted to personal accounts from the purchase and sales books. All purchase invoices are filed in numerical order. The sales tickets are kept in bundles, each day's tickets by themselves. The tickets of each department and each sales person are also kept by themselves. If it becomes necessary at any time to know the items of an invoice or sales ticket, it is an easy matter to refer to the files under the proper date and number for the desired information.

The combined totals of the three department columns must equal the footing of the total column. All footings are carried forward until the end of the month, when the totals are posted directly to purchase and sales accounts, completing the double entry. In the ledger, purchase and sales accounts are kept with each department; but when the books are closed, the results from all departments are combined in the trading account. Instead of recording cash sales in a special column in the cash book, all receipts of this kind are entered in the regular *cash received* column. These sales are not posted from the cash book, but are entered in the sales book daily. Thus they are carried forward in the footings, and at the end of the month the totals of the sales book represent all sales, both on account and for cash.

26. The cash book in this set presents some new features. Instead of using both pages of the book, one page is used for both debit and credit. The bank account is also kept in the cash book, debit and credit columns being provided for this purpose. Deposits are entered in the bank debit column and in the cash credit column. Checks are entered in the bank credit column and posted to individual accounts.

The other books used are the journal and ledger. The journal is used only for adjusting entries which cannot be made through the other books.

SAMPLE TRANSACTIONS

27. The business is opened by C. D. Walker, who invests $3,500.00 cash, which he deposits in the bank. The following transactions are recorded:

—Jan. 12—

Bought from Hart Schaffner & Marx, Chicago

50 suits	$13.30	$665.00
15 "	16.50	247.50
		$912.50

Net; 2% 10.
Invoice #1.

—Jan. 12—

Bought from Hamilton Brown Shoe Co., St. Louis

30 pr. shoes	2.25	67.50
30 " "	4.25	127.50
10 " "	1.50	15.00
		210.00

Net 60; 2% 10.
Invoice #2.

—Jan. 14—

Bought from Farwell & Co., Chicago

1 doz. shirts	13.50	13.50
2 " "	9.00	18.00
4 " "	6.25	25.00
2 " sox	1.50	3.00
1 " "	2.00	2.00
10 " underwear	6.50	65.00
5 " hdkfs.	1.10	5.50
		132.00

Net 60; 2% 10.
Invoice #3.

—Jan. 14—

Bought from Barr Dry Goods Co., St. Louis

12 doz. collars	.75	9.00
12 " "	1.10	13.20
		22.20

Net 30.
Invoice #3.

—Jan. 15—

Sold to S. W. Martin, 842 3d Av., on account

Sales ticket A 4.	25.00
S. T. B 6	4.50
S. T. C 18	6.00
	35.50

—Jan. 15—

Sold for cash

Clothing	148.70
Furnishings	26.50
Shoes	54.00
	229.20

—Jan. 15—

Paid Hart, Schaffner & Marx account

Check #1	894.25
Discount	18.25
	912.50

—Jan. 16—

Sold to A. R. Crane, 1162 Baker St., on account

S. T. B 7	3.00

—Jan. 17—

Sold to D. H. Whipple, 476 Lake St., on account

S. T. A 12	27.50
Paid cash on account	10.00

—Jan. 17—

Received from S. W. Martin

1 shirt, for exchange	1.50

Sold him on account

1 shirt	2.00
S. T. B 9	

—Jan. 17—

Sold for cash

Department	A	200.00
"	B	64.00
"	C	87.50
		351.50

—Jan. 19—

Sold to C. D. Lewis, 64 Ferry Av., on account

S. T. B 11	6.50
S. T. C 23	3.50
	10.00

—Jan. 19—

Paid Hamilton Brown Shoe Co., on account

Check #2	205.80
Discount	4.20
	210.00

—Jan. 19—

Paid clerk hire, cash 12.00

—Jan. 19—

Paid store rent to D. C. Watson

Check #3	50.00

—Jan. 19—

Sold for cash

Department B	37.50
" C	35.00
	72.50

—Jan. 19—

Deposited in bank 550.00

—Jan. 20—

Sold to B. E Johnson, 92 King St., on account

S. T. A 15	20.00

—Jan. 20—

Sold for cash

Department A	75.00
" B	21.25
	96.25

—Jan. 20—

Deposited in bank 100.00

—Jan. 20—

Paid freight bills		
Department A		8.75
" B		3.42
" C		4.20
		16.37
Check #4 to C. D. Jenks, Agt.		
The inventory on Jan. 20 is:		
Clothing		$ 487.00
Furnishings		30.50
Shoes		64.50

Balance Sheet, Jan. 20

Assets

Cash			
Bank	$2,983.58		
Office	97.45		
			$3,081.03
Accounts Receivable			
Martin	36.00		
Crane	3.00		
Whipple	17.50		
Lewis	10.00		
Johnson	20.00		
		86.50	
Merchandise (Inventory)		582.00	
			$3,749.53

Liabilities

Accounts Payable			
Farwell	132.00		
Barr	22.20	154.20	154.20
Present Worth			$3,595.33

Jan.	17	18	Furnishing Sales			150
		7	L. W. Martin Ret'd Goods			150

PURCHASES

DATE		INV. NO.	FOLIO	FROM WHOM	ADDRESS	TOTAL	CLOTHING	FURNISHINGS	SHOES
Jan.	12	1	2	Hart, Shaffner & M.	Chicago	91250	91250		
		2	3	Ham. Brown Shoe Co.	St. Louis	21000			21000
	14	3	4	Farwell & Co.	Chicago	13200		13200	
	14	4	5	Barr Dry Goods Co.	St Louis	2220		2220	
						127670	91250	15420	21000
	20		12	Clothing	Purchases	91250			
			13	Furnishing	"	15420			
			14	Shoe	"	21000			
						127670			

SALES

DATE	SALE NO.	FOLIO	TO WHOM	ADDRESS	TOTAL	CLOTHING	FURNISHINGS	SHOES
Jan 15	A 4	7	S.K. Martin	842 - 3rd Ave	35 50	25 00		
	B 6	〃	〃 〃				4 50	
	C 18	〃	〃 〃					6 00
		〃	Cash Sales		229 20	148 70	26 50	54 00
16	B 7	8	A.R. Crane	1162 Baker St	3 00		3 00	
17	A 12	9	D.K. Whipple	476 Lake St.	27 50	27 50		
	B 9	7	S.K. Martin		2 00		2 00	
		〃	Cash Sales		351 50	200 00	64 00	87 50
19	B 11	10	C.D. Lewis	64 Ferry Ave.	10 00		6 50	
	C 23	〃	〃 〃					3 50
		〃	Cash Sales		72 50		37 50	35 00
20	A 15	11	B.E. Johnson	92 King St.	20 00	20 00		
		〃	Cash Sales		96 25	75 00	21 25	
					847 45	496 20	165 25	186 00
		18	Clothing	Sales	496 20			
		19	Furnishing	〃	165 25			
		20	Shoe	〃	186 00			
					847 45			

Cash

DATE		FOLIO		DISCOUNT DR.	DISCOUNT CR.	CASH DR.	CASH CR.	BANK DR.	BANK CR.
Jan.	12	1	C.D. Walker, Prop.			350000			
		✓	Depasit				350000	350000	
	15	2	Hart, Schaffner & Marx ch1		1825				89425
	15	✓	Cash Sales			22920			
	17	9	D.H. Whipple on a/c			1000			
		✓	Cash Sales			35150			
	19	3	Hamilton Brown S. Co. ch2		420				20580
		15	Expense. Clerk hire				1200		
		16	Rent. D.C. Watson ch3						5000
		✓	Cash Sales			7250			
		✓	Deposit				55000	55000	
	20	✓	Cash Sales			9625			
		✓	Deposit				10000	10000	
		✓	C.D. Jenks, agt. Freight ch4						1637
		12	Clothing Purchases 8.75						
		13	Furnishing 3.42						
		14	Shoe 4.20						
		✓	Cash Balance				9745		
		17	Interest-Discount earned	2245	2245	425945	425945	415000	116642
		6	Bank Deposits	415000					
		6	" Withdrawals		116642				
Jan.	20		Cash Balance			9745			

Cash Book Including Bank Account

1

Proprietor

| | | |

6 Bank

| | | |

B E Johnson 92 King St.

| | | |

17

Interest

Jan.	20	Profit & Loss	22				22	45				22	45	1			Jan.	20

18

Clothing Sales

Jan.	20	Trading	L.F.	21			47	20				49	6	20	1			Jan.	20

16

Rent

Jan.	19			1			50	00				50	00	22	L.F.	Profit & Loss		Jan.	20

19

Furnishing Sales

Jan.	17		J	1				150				165	25	1				Jan.	20
Jan.	20	Trading	L.F.	21			163	75											
							165	25				165	25						

20

Shoe Sales

Jan.	20	Trading	L.F.	21			186	00				186	00	1				Jan.	20

Trading

Jan.	20	Clothing Purchs	11			9	2	1	25			4	9	6	20	18	Clothing Sales	Jan	20
		Furnishing "	12			1	5	7	62			1	6	3	75	19	Furnishing "		
		Shoe "	13			2	1	4	20			1	8	6	00	20	Shoe "		
		Profit & Loss	22			1	3	4	88			5	8	2	00		Inventory	Jan.	20
						14	2	7	95			14	2	7	95				

22 Profit & Loss

Jan	20		15			12	00					13	4	88		21	Trading	Jan	20
	20		16			50	00					22	45			17	Interest		20
		Proprietor LF	1			95	33												
						157	33					157	33						

Merchandise Inventory

23

Jan.	20	Clothing				48	70	0											
		Furnishings				3	0	5	0										
		Shoes				6	4	5	0										

Trial Balance

	1	Proprietor		350000
	4	Farwell & Co.		19200
	5	Barr Dry Goods Co.		2220
	6	Bank	298358	
	7	S. H. Martin	3600	
	8	A. R. Crane	3	
	9	D. H. Shipple	1750	
	10	C. D. Lewis	1000	
	11	B E Johnson	2000	
	12	Clothing Purchases	92125	
	13	Furnishing "	15762	
	14	Shoe "	21420	
	15	Expense	1200	
	16	Rent	5000	
	17	Interest		2245
	18	Clothing Sales		49620
	19	Furnishing "		16375
	20	Shoe "		18600
		Cash	9745	
			452260	452260

EXERCISE

28. Take a trial balance of the ledger accounts as they appear after the books are closed Jan. 20.

At the close of business, Feb. 28, we find that the following transactions have been recorded:

Purchased clothing from Hart, Schaffner & Marx, $1,500.00; from Brokau Bros., $720.00.

Purchased furnishings from Barr Dry Goods Co., $60.00, from Rosenthal & Co., $437.50.

Purchased shoes from Brown Shoe Co., $460.00.

Sold on account, clothing, $600.00; furnishings, $224.40; shoes, $112.00.

Sold for cash, clothing, $789.50; furnishings, $302.90; shoes, $447.25.

Received cash on account, $672.20.

Received returned goods: clothing, $15.00; shoes, $7.00.

Deposited cash in bank, $2,230.00.

Paid cash for expenses, $10.00.

Gave checks as follows: Hart, Schaffner & Marx, $1,176.00; Brokau Bros., $705.60; Brown Shoe Co., $294.00; Farwell & Co., $132.00; Barr Dry Goods Co., $22.20; Rosenthal & Co., $428.75; rent, $50.00; expenses, $100.00.

Cash discounts earned on accounts paid as follows: Hart, Schaffner & Marx, $24.00; Brokau Bros., $14.40; Brown Shoe Co., $6.00; Rosenthal & Co., $8.75.

Take a new trial balance as the ledger accounts appear after posting these transactions.

The inventory, Feb. 28, is:

Clothing	$1,790.50
Furnishings	176.40
Shoes	136.25
	$2,103.15

Close the books, make statement of trading and profit and loss account. Make a balance sheet.

What were the gross profits for this period?

What were the net profits?

What is the proprietor's present worth?

PARTNERSHIP

29. Legal authorities define a partnership as a combination by two or more persons, of capital, labor, or skill, for the transaction of business for their common profit.

Partnerships may be formed for the purpose of conducting any legitimate business or undertaking, and are created by contract, expressed or implied, between the parties. Partnership agreements need not be in writing, but may be made by oral assent of the parties. Even though they are legal if made orally, partnership agreements should always be made in writing.

30. Partnership Agreements. These should state the date on which the agreement is entered into, the name of the contracting parties, the name by which the partnership is to be known, and the address of the place of business. Following should be a statement of the nature of the business, the amount and form of investment of each partner, the duration of the partnership, the basis of division of profits, provisions for the dissolution of the partnership, definition of the duties of active partners, and a provision for the division of the assets in the event of dissolution or at the termination of the partnership.

31. Kinds of Partners. Partners are of different kinds, depending on the nature of the partnership agreement and the extent of their liability, expressed or implied, as between themselves or in respect to third persons. The usual classification of partners is as follows: o*stensible*, *secret*, *nominal*, *silent*, and *dormant*.

Ostensible partners are those whose names are disclosed to the public as actual partners.

Secret partners are those whose names are not disclosed to the public, though participating in the profits.

Nominal partners are those who allow their names to be used as partners, though they may have no actual interest in the business. The fact of their being known as partners makes them liable to third parties.

Silent partners are those who, while sharing in the profits, take no active part in the management of the business. Their names may or may not be known. Silent partners may also be secret partners.

Dormant partners are those who are both silent and secret partners. They are usually included in a general term like *Company*, *Sons*, or *Brothers*.

32. Participation in Profits. The most simple partnership from an accounting standpoint is one in which the investments of the several partners are equal, and profits are to be divided equally.

This condition does not exist in all partnerships. The members of the partnership may invest unequal amounts and share in the profits on the basis of their investment. The investment may be equal, but one partner may receive an extra share of the profits in return for work performed in lieu of a salary. The investment may be unequal, but the one with the smaller investment may share equally in the profits in return for work performed. It is not unusual for a silent partner to furnish all of the capital and share equally in the profits with an ostensible partner who assumes full responsibility for the management of the business.

33. Interest on Investment. When the investment of the partners is unequal, it is customary to allow interest on the capital invested and to charge interest on all withdrawals. The interest on capital must be credited, and the interest on withdrawals must be charged, before profits can be distributed.

34. Capital and Personal Accounts. In a partnership a special account should be opened in the name of each partner to represent his investment (for example, John Smith, Capital). To this account is credited his net investment. When the books are closed, the account is credited with his share of the profits, and debited with his withdrawals.

A personal account should be opened in the name of each partner, to which is debited all withdrawals, either of money or goods. Even when the capital invested is equal, some partnership agreements provide that interest shall be charged on all withdrawals, particularly when the business is of such a nature that goods traded in are likely to be withdrawn by the partners, or when, for any reason, withdrawals are likely to be unequal. The balance of the partner's personal account is closed into his capital account when the books are closed. Before closing this account, it should be credited with interest on capital account and charged with the interest provided on withdrawals.

35. Opening the Books. When the books of a partnership are opened, the essential features of the partnership agreement should be written at the top of the first page of the journal. Next following the partnership agreement, are the entries showing the nature and amount of the investment of each partner, the amounts being posted to the credit of partners' capital accounts.

36. Closing the Books. When the books of a partnership are to be closed, the revenue accounts are closed into trading and profit and loss, the same as in any other form of business organization. The net profit is then apportioned according to agreement, the share of each partner being credited to his capital account. The balance of his personal account is then carried to his capital account; the balance of that account will then show his net investment.

Illustration of Closing Entries. A, B, and C form a partnership, each investing $1,000.00, profits to be shared equally. When the books are closed, the net profits are found to be $909.60. A's personal account shows a debit balance of $46.50; B's personal account shows a credit balance of $100.00; C's personal account shows a credit balance of $52.00. The entries are as follows:

Profit and Loss	$909.60	
To A, Capital a/c		$303.20
" B, " "		303.20
" C, " "		303.20
A, Capital a/c	46.50	
A, Personal a/c		46.50
B, Personal a/c	100.00	
B, Capital a/c		100.00
C, Personal a/c	52.00	
C, Capital a/c		52.00

The capital accounts after closing are:

A, CAPITAL a/c

Dec. 31,	Bal. personal a/c	$ 46.50	$1,000.00		Jan. 1
	Balance	1,256.70	303.20	(⅓ profits)	Dec. 31
		$1,303.20	$1,303.20		
			$1,256.70	net invest.	Dec. 31

B, CAPITAL *a/c*

Dec. 31,	Balance	$1,403.20	$1,000.00		Jan. 1
			303.20	($\frac{1}{3}$ profits)	Dec. 31
			100.00	pers. *a/c*	Dec. 31
		$1,403.20	$1,403.20		
			$1,403.20	net invest.	Dec. 31

C, CAPITAL *a/c*

Dec. 31,	Balance	$1,355.20	$1,000.00		Jan. 1
			303.20	($\frac{1}{3}$ profits)	Dec. 31
			52.00	pers. *a/c*	Dec. 31
		$1,355.20	$1,355.20		
			$1,355.20	net invest.	Dec. 31

SAMPLE TRANSACTION

37. The first business taken up for consideration under the head of partnerships is a retail shoe business. The stock is kept in three classes: men's, women's, and children's shoes. Purchase and sales books, ruled to segregate transactions of each class, are used. The bank account is kept in the cash book, which is also provided with two columns for discount. All sales, whether for cash or on account, are recorded on sales tickets.

James Benton, Horace Douglas, and Henry Kemp form a partnership under the firm name of Benton, Douglas & Kemp, for the purpose of conducting a retail shoe business in Buffalo, N. Y. The date of the agreement, which is to continue for ten years, is March 1, 1908. James Benton invests $1,000.00 in cash and a stock of shoes inventorying $2,000 00 as follows: men's, $800.00; women's, $700.00; children's, $500.00. Horace Douglas and Henry Kemp each invest $3,000.00 in cash. The three partners are to share equally in the profits and each is to receive a salary of $100.00 per month. The books are to be closed and net profits divided at the end of each three months' period counting from Jaunary 1, which brings the first distribution on March 31.

The following transactions are recorded during the month of March:

—March 1—

Deposited in Second National Bank $7,000.00

—March 1—

Bought from National Fixture Co.
Store fixtures 2,000.00
Invoice #1

—March 1—

Bought from John C. Morrison, Buffalo
Men's shoes 135.00
Invoice #2

—March 1—

Bought from Hoyt & Co., Rochester, N. Y
Women's shoes 127.50
Children's shoes 84.00
211.50

Net 60; 2% 10.
Invoice #3

—March 2—

Sold to R. H. Wallace, 842 Delaware Av.
1 pr. men's shoes 6.00
1 pr. men's slippers 2.50
8.50

—March 2—

Sold to D. H. Lyon, 416 Niagara St.
1 pr. women's 3.50
1 pr. women's 4.00
1 pr. children's 2.00
9.50

—March 2—

Sold to Henry Norris, 297 Madison Av.
1 pr. men's 5.00
1 pr. children's 1.25
1 pr. children's 1.50
7.75

—March 2—

Sold to R. H. Homans, 427 Lafayette Av.

1 pr. women's	5.00

—March 2—

Sold for cash

Men's	44.00
Women's	37.50
Children's	22.00
	103.50

—March 3—

Sold to H. J. Watson, 197 Locust St.

2 pr. men's	15.00
1 pr. women's	5.50
	20.50

—March 3—

Sold to H. J. Meyer, 82 Bennett St.

1 pr. children's	1.50
1 pr. children's	2.00
1 pr. women's	3.50
	7.00

—March 3—

Paid Hoyt & Co. bill by check

Less cash discount.

—March 3—

Deposited in Second National Bank 75.00

—March 3—

Paid freight on shoes in cash 2.60

—March 3—

Sold for cash

Men's	30.00
Women's	24.00
Children's	15.00
	69.00

—March 4—

Bought from Lee & Co., Rochester

Women's shoes	140.00

Net 30.

Invoice #4

—March 4—

Sold to D. Andrews, 84 Peck St.

1 pr. men's	3.50
1 pr. men's	5.00
1 pr. women's	4.00
	12.50

—March 4—

Sold to Jas. Hayes, 519 Washington St.

1 pr. women's	3.50
1 pr. children's	2.00
1 pr. children's	1.25
	6.75

—March 4—

Sold for cash

Men's	27.00
Women's	32.00
Children's	12.50
	71.50

—March 5—

Sold to R. D. Nelson, 842 Niagara St.

1 pr. men's	6.00
1 pr. women's	5.00
	11.00

—March 5—

Sold to D. Needham, 47 Ames St.

1 pr. men's	3.50
1 pr. women's	2.50
1 pr. children's	1.50
	7.50

—March 5—

Sold for cash	
Men's	31.50
Women's	26.00
Children's	11.00
	68.50

—March 6—

Deposited in Second National Bank	200.00

—March 6—

Sold to D. B. Wright, 47 Andrews St.	
1 pr. men's	5.00

—March 6—

Sold to H. N. Hoyt, 821 Delaware Av.	
1 pr. women's	5.00
1 pr. children's	2.50
	7.50

—March 6—

Sold to Amos Wiggins, 92 Prospect St.	
1 pr. men's	5.00
1 pr. women's	3.50
	8.50

—March 6—

Sold for cash	
Men's	52.00
Women's	36.50
Children's	18.25
	106.75

—March 6—

Paid clerk hire, cash	9.00

—March 6—

Gave checks as follows:	
Horace Douglas	20.00
Henry Kemp	25.00

—March 8—

Sold to D. Altman, 127 Wright St.

1 pr. men's	6.00
Gave him check	44.00
Credited his account for 1 mo.'s rent	50.00

—March 8—

Sold to R. H. Homans, 427 Lafayette Av.

1 pr. men's	6.00

—March 8—

R. H. Wallace paid his account in full.

—March 8—

Paid account of John C. Morrison by check

—March 8—

Sold for cash

Men's	25.00
Women's	18.00
Children's	10.50
	53.50

—March 9—

Sold to Walter Jenks, 87 South Av.

1 pr. men's	6.00
1 pr. women's	4.00
1 pr. children's	2.00
	12.00

—March 9—

Sold to D. W. Mantel, 419 Delaware Av.

1 pr. women's	5.00
1 pr. children's	2.50
	7.50

—March 9—

Sold to D. C. White, 1160 Main St.

1 pr. men's	5.00
1 pr. men's	3.50
	8.50

—March 9—

Sold to A. R. Crows, 40 Shaw St.

1 pr. women's	3.50

—March 9—

Sold for cash

Men's	54.00
Women's	41.50
Children's	20.50
	116.00

—March 9—

Deposited in Second National Bank	275.00

—March 10—

Sold to Henry Brown, 87 Douglas St.

1 pr. men's	6.00
1 pr. women's	4.00
	10.00

—March 10—

Sold to D. L. Benedict, 80 Adams St.

1 pr. women's	3.50
1 pr. children's	2.00
1 pr. children's	1.50
	7.00

—March 10—

Sold for cash

Men's	48.50
Women's	39.00
Children's	16.50
	104.00

—March 11—

Sold to D. H. Lyon, 416 Niagara St.

1 pr. men's	6.00

—March 11—

Received from Henry Norris, cash	7.75

— March 11 —

Sold to D. B. Wright, 47 Andrews St.

1 pr. women's	3.50
1 pr. children's	2.00
	5.50

— March 11 —

Sold to H. J. Meyer, 82 Bennett St.

1 pr. men's	3.50

— March 11 —

Sold for cash

Men's	42.00
Women's	39.50
Children's	11.00
	92.50

— March 12 —

Deposited in Second National Bank 195.00

— March 12 —

Sold to D. L. Benedict, 80 Adams St.

1 pr. men's	5.00

— March 12 —

Sold to H. A. Fisher, 42 Lyons St.

1 pr. women's	4.00
1 pr. children's	1.50
	5.50

— March 12 —

Sold to Andrew Winters, 476 Delaware Av.

1 pr. men's	6.00
1 pr. children's	2.50
	8.50

— March 12 —

Sold for cash

Men's	51.50
Women's	43.00
Children's	17.75
	112.25

— March 13 —

Bought from Rochester Shoe Co., Rochester

Men's shoes	265.00
Women's "	220.00
Children's "	98.50
	583.50

Net 30; 2% 10.

— March 13 —

Sold to D. Altman, 127 Wright St.

1 pr. women's	4.00
1 pr. children's	2.50
1 pr. children's	2.00
	8.50

— March 13 —

Sold to D. Alton, 46 Eastern Av.

1 pr. men's	5.00
1 pr. women's	3.50
	8.50

— March 13 —

Sold for cash

Men's	67.00
Women's	52.00
Children's	29.00
	148.00

— March 13 —

Paid clerk hire 9.00

Henry Kemp wishes to retire from the business. His partners, Benton and Douglas, agree to pay him cash for his interest. To close the books, each partner is credited with one-half a month's salary, and the amount is charged to expense. The inventory shows the stock to be:

INVENTORY

Men's shoes	$759.75
Women's	835.75
Children's	519.00
	$2,114.50

| | | |

Cash

BANK	DISC.	CASH	DATE	LF		LF.	CASH	DISC	BANK
		70000	Mar 1	-	Investment (J.L)				
100000					Second Nat. Bank	-	70000		
		10350		2	- Cash Sales				
				3	Hoyt & Co ck	32		423	20722
7500					Second Nat Bank	-	7500		
					Freight-In	35	200		
		6900			- Cash Sales				
		7150		4	- Cash Sales				
		6850		5	- Cash Sales				
20000				6	Second Nat Bank	-	20000		
		10675			- Cash Sales				
					Expense Paid Clerk hire	36	900		
					Horace Douglas ck	37			2000
					Henry Kemp ck	38			2500
				8	D Altman ck	20			5400
		150		7	R.H. Wallace on a/c				
					Jno. C. Morrison ck	31			13500
		5350			- Cash Sales				
		11600		9	- Cash Sales				
27500					Second Nat. Bank	-	27500		
		10400		10	- Cash Sales				
		775		11	9 Henry Norris				
		9250			- Cash Sales				
19500				12	Second Nat Bank	-	19500		
		11225			- Cash Sales				
		14600		13	- Cash Sales				
					Expense, paid Clerk hire	36	900		
					Balance		29615		
774500		80611	75				811611	75	423	43127
		774500		6	Second Nat Bank	6	43127		
					Interest-Discounted	39	423		
		29615			- Cash Balance				

Cash Book with Center Column for Particulars

DATE	AMOUNT	L.F.	TO	ADDRESS	L.F.	MEN	WOMEN	CHILDREN
Mar 2	8 50	7	R. H. Wallace	842 Delaware Ave		8 50		
	9 50	8	D. H. Lyon	416 Niagara St.			7 50	2 00
	7 75	9	Henry Norris	297 Madison Ave.		5 00		2 75
	5 00	10	R. H. Homans	427 Lafayette Ave.			5 00	
	103 50	✓	Cash Sales			44 00	37 50	22 00
3	20 50	11	H. J. Watson	197 Locust St.		15 00	5 50	
	7 00	12	H. J. Meyer	82 Bennet St.			3 50	3 50
	69 00	✓	Cash Sales			30 00	24 00	15 00
4	12 50	13	D. Andrews	84 Peck St.		8 50	4 00	
	6 75	14	Jas Hayes	519 Washington St			3 50	3 25
	71 50	✓	Cash Sales			27 00	32 00	12 50
5	11 00	15	R. D. Nelson	842 Niagara St.		6 00	5 00	
	7 50	16	D. Needham	47 Ames St.		3 50	2 50	1 50
	68 50	✓	Cash Sales			31 50	26 00	11 00
6	5 00	17	D. B. Wright	47 Andrews St.		5 00		
	7 50	18	H. N. Hoyt	821 Delaware St.			5 00	2 50
	8 50	19	Amos Wiggins	92 Prospect St.		5 00	3 50	
	106 75	✓	Cash Sales			52 00	36 50	18 25
8	6 00	20	D. Altman	127 Wright St.		6 00		
	6 00	10	R. H. Homans	427 Lafayette Ave.		6 00		
	53 50	✓	Cash Sales			25 00	18 00	10 50
9	12 00	21	Walter Jenks	87 South Ave.		6 00	4 00	2 00
	7 50	22	D. W. Mantel	419 Delaware Ave			5 00	2 50
	8 50	23	D. C. White	1160 Main St.		8 50		
	3 50	24	A. R. Crowe	40 Shaw St			3 50	
	116 00	✓	Cash Sales			54 00	41 50	20 50
10	10 00	25	Henry Brown	87 Douglas St.		6 00	4 00	
	7 00	26	D. L. Benedict	80 Adams St			3 50	3 50
	104 00	✓	Cash Sales			48 50	39 00	16 50
11	6 00	8	D. H. Lyon	416 Niagara St.		6 00		
	876 25	✓	Forward			407 00	319 50	149 75

Sales

DATE	AMOUNT	L.F.	TO	ADDRESS	L.F.	MEN	WOMEN	CHILDREN
	876 25	✓	Forward			407 00	319 50	149 75
Mar 11	5 50	17	D.B. Wright	47 Andrews St			3 50	2 00
	3 50	12	H.J. Meyer	82 Bennet St		3 50		
	92 50	✓	Cash Sales			42 00	39 50	11 00
12	5 00	26	D.L. Benedict	80 Adams St.		5 00		
	5 50	27	H.A. Fisher	42 Lyons St			4 00	1 50
	8 50	28	Andrew Pinters	476 Delaware Ave		6 00		2 50
	112 25	✓	Cash Sales			51 50	43 00	17 75
13	8 50	20	D. Altman	127 Wright St			4 00	4 50
	8 50	29	D. Alton	46 Eastern Ave		5 00	3 50	
	148 00	✓	Cash Sales			67 00	52 00	29 00
	1274 00					587 00	469 00	218 00
			Sales — Men's		41	587 00		
			" — Women's		✓	469 00		
			" — Children's		✓	218 00		

Purchases

1

DATE	INV NO.	FROM	ADDRESS	L.F.	DUE	AMOUNT	MEN	WOMEN	CHILDREN
Mar 1	2	Jno. C. Morrison	Buffalo	31	Apr. 1	1350 00	1350 00		
	3	Hoyt & Co.	Rochester	32	May 1	211 50		127 50	84 00
4	4	Lee & Co.	"	33	Apr. 4	140 00		140 00	
13	5	Rochester Shoe Co.	"	34	" 12	583 50	265 00	220 00	98 50
						1070 00	400 00	487 50	182 50
		Purchases	Men's	40		400 00			
			Women's	✓		487 50			
			Children's	✓		182 50			

1

James Benton - Capital

									Mar.	1	Mdse. Invest.	J	1			2	00	0	00
										1	Cash Invest.	J	1			1	00	0	00

2

Horace Douglas - Capital

									Mar.	1	Cash Invest.	J	1			3	00	0	00

3

Henry Kemp - Capital

									Mar.	1	Cash Invest.	J	1			3	00	0	00

4

Merchandise Inventory

Mar	1	Mens	J	1			8	0	0	00													
		Womens					7	0	0	00													
		Childrens					5	0	0	00													

5

Store Fixtures

Mar	1		J	1			2	0	0	00													

6 Second National Bank

Mar	13		CB	1			7	7	45	00	Mar	13		CB	1				45	27

7 R. H. Wallace, 842 Delaware Ave

Mar	2		SB	1					8	50	Mar	8		CB	1				8	50

8 D. H. Lyon, 416 Niagara St

Mar	2		SB	1					9	50									
	11			1					6	00									

9 Henry Norris, 297 Madison Ave

Mar.	2		SB	1					7	75	Mar	11		CB	1				7	75

10 R. H. Howard, 427 Lafayette Ave

Mar.	2		SB	1					5	00									
	8			1					6	00									

11

H. J. Watson 197 Locust St.

| | | |

16

D. Needham 47 Ames St.

Mar	5			LB.	1					7	50												

17

D. B. Knight 47 Andrews St.

Mar	6			LB.	1					5	00												
	11				2					5	50												

18

H. N. Hoyt 121 Delaware

Mar	6			LB.	1					7	50												

19

Amos Higgins 92 Prospect

Mar	6			LB.	1					6	50												

20

D. Altman 127 Wright

Mar.	6			LB.	1			6	00	Mar	13			J	1					50	00		
	13				2			8	50														
	8			CB	1			44	00														
																					1		

21 Walter Jenks 87 South Ave.

| | | |

26

D.L. Benedict — 80 Adams St.

| | | |

31 John C. Morrison, Buffalo

Mar.	8		CB.	1				1	35	00	Mar.	1		PB.	1				1	35	00

32 Hoyt & Co. Rochester

Mar	3	Discl.	CB.	1					423		Mar.	1		PB.	1				2	11	50
		Ck.					20	727															

33 Lee & Co. Rochester

											Mar.	11		PB.	1				1	40	00

34 Rochester Shoe Co. Rochester

											Mar 13			P.B.	1				5	53	50

35 Freight-In

Mar	3		CB.	1					26	11													

36

Expenses

Mar	6		C.B.	1					9	00													
	13			1					9	00													
	13		J	1					50	00													

37

Horace Douglas-Personal

Y.	6		C.B.	1					20	00	Mar.	13		J	1					50	00		

38

Henry Kemp-Personal

Mar	6		C.B.	1					25	00	Mar.	13		J	1					50	00		

39

Interest & Discount (Earned)

											Mar.	13		C.B.	1					4	25		

40

Purchases

Mar	13	Men	C.B.	1				400	00														
		Women		1				60	50														
		Children		1				10	50														

Sales

| | | |

EXERCISE

38. 1. Submit a trading account, and a profit and loss account as shown by the books at the close of the day's business, March 13.

2. Submit a balance sheet.

3. Submit the journal entries to be used in apportioning the profits, and in closing partner's personal account. Show partners' capital accounts after final closing.

4. Submit proper entries when Kemp's interest is purchased, assuming that he is paid by check from the funds in hand.

5. Submit trial balance of ledger of Benton & Douglas as the accounts appear after the purchase of Kemp's interest. Remember that no additional capital is invested.

39. Sale of Partnership. When the business of a partnership is sold, the net assets must be divided among the partners according to agreement, unless the partnership is to continue for the transaction of the same or some other class of business. As a rule, the liabilities are paid (if possible), from the cash funds on hand, leaving the net assets for division.

In the division of assets, one partner will frequently agree to accept a certain class of assets in lieu of cash, but at a discount. To illustrate, one partner might accept fixtures, which cost $1,000.00, at 10% discount. Deducting 10% from the cost price of the fixtures reduces the assets just that amount, and it is necessary to debit profit and loss, and to credit fixture account, with the loss.

If any class of assets, other than the goods in which the firm is trading, bring a price above cost, it is necessary to debit the purchaser and credit profit and loss with the profit. If the stock regularly traded in is sold at a profit, no special entry is required; the sale is recorded in the regular way and credited to sales account, from which it finds its way into profit and loss in the final closing of the books.

This class of transactions involves but one of the many kinds of adjusting entries, all of which necessitate careful study on the part of the bookkeeper. In making adjusting entries, full explanations should be given that their meaning or intent may not be misunderstood by one who later refers to them. It is better to err on

the side of what may appear as too detailed explanation, than to leave anything to be taken for granted.

Following is an illustration of the entry involving the sale of fixtures at 10% discount:

Profit and Loss	$100.00	
Fixture Account		$100.00
10% discount allowed on fixtures taken by A in part payment of his share of assets		
A's Capital a/c	$900.00	
Fixture Account		$900.00
Fixtures taken at 10% discount in part payment of his share of assets.		

40. Benton and Douglas agree to continue the business and to share profits equally. At the close of business, Dec. 31, their balance sheet showed the following:

BALANCE SHEET, DEC. 31

Assets

Cash			
In office	$ 144.60		
In bank	1,287.20	$1,431.80	
Accounts Receivable	810.00		
Inventory, Merchandise	3,769.50	4,579.50	
Inventory, Fixtures	2,000.00	2,000.00	
Total Assets			$8,011.30
Liabilities			
Accounts Payable			925.20
Present Worth			$7,086.10
Benton's present worth			$3,543.05
Douglas's present worth			3,543.05

They accept an opportunity to sell for cash the stock and fixtures, the buyer agreeing to pay 15% above cost price for the merchandise, and cost price for the fixtures. The money received from this transaction, and the money in the office at time of sale, are deposited in the bank. Checks are drawn to settle all accounts payable, $7.22 discount being earned. In liquidating the business

of the firm, Benton agrees to accept the accounts receivable in part payment of his share, on condition that 10% be first charged off to cover uncollectable accounts.

EXERCISE

1. Show all entries required to complete the liquidation of this business.

2. At the final settlement, how much cash does each partner receive?

41. Division of Profits. When the investment of the several partners is unequal, the partnership agreement usually provides for the crediting of interest on capital, and the charging of interest on withdrawals.

A and B form a partnership, and commence business Oct. 1. A invests $7,000.00, and B invests $3,000.00. The agreement provides that interest at 6% shall be credited on capital and charged on withdrawals at the time of closing the books, profits to be shared on the basis of their investments.

The books were closed Oct. 31, with the following results:

TRADING a/c

Purchases	$6,450	00	Sales	$4,460	00
Profit	1,150	00	Inventory Oct. 31	3,140	00
	$7,600	00		$7,600	00

PROFIT AND LOSS

Expense	$ 116	00	Trading a/c	$1,150	00
Rent	30	00			
Profit	1,004	00			
	1,150	00		$1,150	00
			Balance	$1,004	00

A, CAPITAL

Oct. 1, Investment	$7,000	00

B, CAPITAL

Oct. 1, Investment	$3,000	00

A, PERSONAL a/c

Oct. 15		$200	00

B, PERSONAL a/c

Oct. 20		$100	00

The adjustment is made as follows:

A's investment,	$7,000.00	Interest for 30 days (1 month)	$35.00
A's withdrawals	200.00	Interest for 15 days	.50
		Net interest to be credited to A	$34.50
B's investment,	$3,000.00	Interest for 30 days	$15.00
B's withdrawals,	100.00	Interest for 10 days	.17
		Net interest to be credited to B	$14.83

The journal entry is:

Interest	$49.33	
A's personal *a/c*		$34.50
B's personal *a/c*		14.83

Net interest credited on capital accounts.

After posting the entry, our interest account shows the following:

Interest on capital	$49.33

This account is, of course, closed into profit and loss, leaving net profits to be divided, $954.67, of which A receives 70%, and B 30%.

For the final closing of the books, we would close the personal accounts of A and B into their capital accounts, and close profit and loss account into their capital accounts. In actual practice the interest on withdrawals and investment would be entered and charged to profit and loss through interest account, before the net profit is brought down. In our illustration we have first brought down what appears to be the net profit, for the purpose of emphasizing the fact that the interest must be considered before profits are divided.

EXERCISE

42. C, D, and E formed a partnership Nov. 1. C invested $9,000.00 cash; D invested $7,000.00 cash; E invested $4,000.00 cash. The partnership agreement provided that profits should

be shared on the basis of the capital invested by each; interest at 6% to be credited on capital and charged on withdrawals.

At the close of business the following statistics are gathered from the books:

C's Capital a/c	Cr.	$9,000.00
D's Capital a/c	Cr.	7,000.00
E's Capital a/c	Cr.	4,000.00
Purchases	Dr.	15,000.00
Sales	Cr.	12,000.00
Expense	Dr.	160.00
Rent	Dr.	150.00
Salaries	Dr.	700.00
Bank	Dr.	7,250.00
Cash	Dr.	740.00
Bills Receivable	Dr.	6,000.00
Accounts Receivable	Dr.	7,220.00
Bills Payable	Cr.	3,000.00
Accounts Payable	Cr.	2,820.00

C's personal a/c	Dr. Nov. 15	$300.00
D's personal a/c	Dr. Dec. 1	200.00
E's personal a/c	Dr. Nov. 20	100.00
Inventory	Dec. 31	7,000.00

Make trading account, profit and loss account, and journal entries to adjust interest.

Make balance sheet, and show partners' capital accounts after final closing of the books.

SCENE IN SOUTH WATER STREET, WHERE THE COMMISSION HOUSES OF CHICAGO'S GREAT PRODUCE MARKETS ARE LOCATED

PART III

WHOLESALE, COMMISSION, AND STORAGE ACCOUNTS

WHOLESALE BUSINESS

In this section complete methods of bookkeeping as practiced in wholesale houses are demonstrated. Numerous modern methods that are readily adaptable to other lines of business are illustrated and explained in detail.

DIVIDING THE LEDGER

1. There are many advantages in dividing the ledger into sections. The sub-divisions most commonly used are purchase ledger, sales ledger, and general ledger. Such divisions greatly facilitate posting and reduce the chances of error. While it is advisable in most cases to use a separate book for each division, the three ledgers may be combined in one book by setting aside a section for each. This practice is not recommended except where the number of accounts is small, when general and purchase ledgers or purchase and sales ledgers may be combined. The division of the ledger into three sections does not necessitate radical changes, either in form or method of handling, in the other books.

2. Purchase Ledger. The purchase ledger contains only accounts with those from whom we are making purchases. The balances of the accounts in this ledger will be on the credit side and represent a liability. The total balance of the purchase ledger is the amount we owe on open accounts. If, for example, our purchases on account during a stated period amount to $964.50, and the amount paid on account by us is $320.30, we still owe $644.20. If the work is correct the combined balances of all open accounts in the purchase ledger will exactly equal this amount.

3. Sales Ledger. The sales ledger contains only accounts with customers to whom goods are sold on account. The balances of the accounts in the sales ledger will be on the debit side and represent an asset. The total balance of the sales ledger is the amount that our customers owe us on open accounts. Suppose that a business is started with no open accounts receivable—during a stated period the sales on account amount to $1,427.75, and the total payments received on account are $965.50 — the amount still outstanding is $462.25, and this amount should exactly equal the combined balances of all the open accounts in the sales ledger.

The sales ledger is sometimes sub-divided into two or more parts. The divisions may be City and Country or they may be according to the letters of the alphabet—as A-K, L-Z, etc.

4. Accounts in Both Ledgers. Occasionally one from whom we are purchasing goods will also be a customer. For reasons which will appear later, accounts should, in these cases, be opened in both the purchase ledger and the sales ledger. When settlement of such an account is made, the necessary adjusting entries are made through the journal.

5. General Ledger. The general ledger contains the investment accounts of the proprietor or partners, and all real, representative, and nominal accounts. Accounts with the purchase and sales ledgers are also kept in this ledger. These are *controlling accounts* which represent at all times the total balances of the purchase and sales ledgers.

When statements of the other ledgers have been made and proved correct, a trial balance of the general ledger is made.

CONTROLLING ACCOUNTS

6. A controlling account is one which exhibits a summary of all of the accounts in a ledger, or of all accounts of the same class.

The sales account, with which the student has been made acquainted, exhibits net sales, while a *sales controlling account* exhibits a summary of all accounts in the sales ledger. The *debits* to the sales controlling account represent the total debits to customers' accounts as shown by the sales book or the journal. The *credits* to the sales controlling account represent the total credits to customers as shown by the cash book and the journal. This account is variously styled

Sales Ledger Account, Accounts Receivable Account, or Sales Controlling Account.

A *purchase controlling account* exhibits a summary of all accounts in the purchase ledger. It is called a Purchase Ledger Account, Accounts Payable Account, or Purchase Controlling Account.

These controlling accounts are kept in the general ledger and show at all times the totals of accounts receivable and accounts payable, without the necessity of listing the individual balances. At the end of the month statements of the balances of the accounts in purchase and sales ledgers are made, and the totals of these balances must agree with the balances of the controlling accounts.

The operation of these controlling accounts demonstrates one of the most apparent advantages of the division of the ledger. If an error is made in posting to an account in the sales ledger it is discovered as soon as the statement of the sales ledger is made, and can be located without referring to purchase or general ledger accounts. Without the ledger division and the use of controlling accounts, there would be nothing to assist in locating an error in the trial balance in any particular section of the ledger.

ORDER BLANKS

7. In a wholesale business it is customary to have all orders entered on specially ruled order blanks of a uniform size. These orders are filed in a binder designed for the purpose, which takes the place of the old style order book.

These order blanks are furnished to salesmen who send in their orders on them. When an order is received direct from the customer it, also, is transcribed on one of these blanks so that all order records will be uniform. One very appreciable advantage in the use of this loose sheet system of order blanks is that all unfilled orders are kept in a binder by themselves.

8. Filling Orders. Each day the orders to be filled should be placed in a temporary binder or holder and sent to the warehouse. The packer will check quantities shipped and return the order, together with the shipping receipt from the railroad or express company, to the bookkeeping department.

The amounts are extended, and the invoice is made out from this order blank. The sale is next recorded in the sales book. In-

stead of entering each item in the sales book the totals for each department are entered in the proper column. Each sale is numbered in the sales book as illustrated and the same number is placed on the order.

	DATE SOLD	No Salesman	FOLIO
	TERMS	Sold to	DATE BILLED
	RATING	Town and State	LEDGER
		Ship by	

○		SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS				
○											
				AMOUNT FORWARD							

Order Blank

These orders are then filed in the binder for filled orders in exact numerical order, which brings them also in the order of the dates of shipment.

SALES BOOK

9. The sales book used in this set exhibits some features not heretofore shown. At the right are three columns for the distribution of sales. At the left, in addition to columns for date and folio, are two columns headed cash and sales ledger. All cash sales are entered in the cash column, and all sales on account are entered in the sales ledger column. At the end of the week or month the total of the sales ledger column is posted to the debit of the *sales ledger account* in the general ledger, while the totals of the sales columns at the right are posted to the credit of the *sales account* in the general ledger.

INVOICE REGISTER

10. A form of purchase book, which also combines an invoice register, is shown in this set. Unlike the forms of purchase book with which the student has been made familiar, this invoice register gives full particulars as to terms, discount, when due, and when and how paid.

The combined footings of the two department columns must of course agree with the footing of the amount column. At the end of the month the total of the amount column is posted to the credit of *purchase ledger account* in the general ledger, and the totals of the department columns are posted to the debit of the *purchase account* in the general ledger.

The details of payment are kept in the invoice register as a memorandum only. This provides a convenient record of unpaid invoices, showing when each is due.

CASH BOOK

11. In this set we introduce a columnar cash book which also serves as a journal for cash transaction and is known as a cash journal. The principal advantage of a columnar book lies in the opportunity to introduce columns with special headings for accounts to which entries are frequent. Not only does this permit of carrying footings to the end of the month with one posting to the ledger account, but it provides a convenient classification of receipts and expenditures with a complete segregation of items of a given class.

In the form illustrated, columns are provided on the debit side for cash, purchase ledger (subdivided for discount and amount), bank deposits, and sundries; on the credit side, cash, sales ledger (subdivided for discount and amount), cash sales, bank withdrawals, and sundries. At first glance it might appear that this form is a departure from the regular form of cash book, but it should be remembered that the cash columns are the only ones having anything to do with the cash account. A cash receipt is entered in the cash debit column, but the amount is credited to its source through the proper credit column; thus a payment received on account is debited to cash and credited through the sales ledger column. A deposit is credited to cash and debited to bank deposits; the payment of a purchase ledger

account by check is credited to bank withdrawals, and debited to purchase ledger account.

The discount columns are memorandum columns only, the net cash being entered in the amount columns under purchase and sales ledger. These columns are included that the total payment may be posted to personal accounts in purchase or sales ledger. The totals of these columns are to be posted to discount and interest accounts at the end of the month.

The total amount to be posted to the debit of the purchase ledger account and to the credit of sales ledger account is made up of the totals of the discount and amount columns.

The sundries columns are provided for all entries for which there are no special columns and are used principally for transactions affecting general ledger accounts. These columns are sometimes used for ordinary journal entries not involving an exchange of cash, but their use for this purpose is strongly advised against. The cash book should be used exclusively for recording cash transactions. When columnar purchase, sales, and cash books are used, the journal is only needed for adjusting and closing entries, and for this purpose it is best to provide an ordinary two-column journal.

SUBDIVISION OF EXPENSE ACCOUNT

12. In every business there are several classes of expense and it is very useful to know the exact amount of each class. When all expenses are charged under one head, it is impossible to determine without considerable checking, whether or not any particular class of expense is more than it should be. It is customary, therefore, to subdivide expense and to open accounts in the ledger for different classes of expense. Some subdivisions in common use are rent (paid), insurance, taxes, interest and discount, in freight, out freight, salaries, labor, fuel, office supplies, telegraph and telephone, postage, general expense, etc. The exact subdivisions used must of necessity be governed by the nature of the business. For instance, the item of telegraph and telephone charges may be of importance in one business, while in another, the number of such charges would be so small that a separate account is not warranted.

PETTY CASH VOUCHER

PETTY CASH

DATE		PAYMENTS		DR.	CR.
		Balance on hand			
		Balance forward			
		Charge to	L.F.		
		TOTAL			

Approved O.K.

Auditor Cashier

Petty Cash Voucher

13. A form of envelope voucher for petty cash is illustrated. A strong manilla envelope in what is known as size #10 takes the place of the petty cash book. It is ruled for a record of payments, and a receipt for each payment is placed in the envelope. At the bottom is a space for a distribution of the amounts to the proper accounts. When the petty cash fund is depleted—or at stated intervals—a check is drawn for the amount expended and it is charged through the cash book, leaving petty cash intact. The amount of the petty cash fund is considered as cash on hand, and the voucher envelope accounts for any part of the fund not actually in the cash drawer. Petty cash should be used sparingly, as it is intended only for small expense items when it is inconvenient to give a check. When the books are closed, the petty cash expenditures may be charged through the cash book as cash payments, instead of drawing a check.

TREATMENT OF PROTESTED PAPER

14. When a note, draft, or check is protested, the bank will charge us with the protest fee in addition to the face of the paper. The total amount must then be charged to the one from whom the paper was received. Suppose the check of Jones & Laughlin for $100.00 goes to protest and is returned to us with a protest fee of $2.50—the entry will be:

Jones & Laughlin	$102.50	
Sales Ledger		
Bank		$102.50

Check No. 16 given to First Nat.
Bank to cover J. & L. check for
$100.00, protest fee $2.50.

SAMPLE TRANSACTIONS

15. D. A. Hall is engaged in the business of a wholesale dealer in men's and boys' clothing. On Feb. 1st. his balance sheet is

Balance Sheet, Feb. 1st, 1909.

Assets

Cash		
In Bank	$1,765.20	
In Office	125.00	
Total Cash		$1,890.20
Accounts and Bills Receivable		
Bills Receivable	850.00	
Henry James, Due Feb. 5	350.00	
David Traver & Co., Due Feb. 15	500.00	
Accounts Receivable	1,124.00	
Frank Weitz	234.00	
John Gorham	150.00	
George Golden	300.00	
Clayton & Co.	275.00	
Henry Ames	165.00	
Total Accounts and Bills Rec.		1,974.00

Inventory			
Men's clothing	$2,240.00		
Boys' "	1,200.00		
Total Inventory		$3,440.00	
Total Assets			$7,304.20

Liabilities

Accounts and Bills Payable			
Bills Payable		650.00	
Henry Weir & Co., Due			
Feb. 7	450.00		
A. Stein & Co., Due			
March 1	200.00		
Accounts Payable		675.00	
D. Meyer & Bro.	150.00		
Altman & Sons	350.00		
Garson & Co.	175.00		
Total Accounts and Bills Payable	1,325.00		
Total Liabilities			1,325.00
Present Worth			5,979.20

The following transactions are entered on the books:

— Feb. 1st —

Sold to D. A. Marcus & Son

10 overcoats	7.50	75.00	
10 men's suits	6.75	67.50	142.50

— 1st —

Sold to H. A. Branch

15 boys' suits	3.50	52.50	

— 1st —

Rec'd from Geo. Golden

Cash on account		150.00

— 2nd —

Deposited in 1st Nat. Bank		150.00

— 2nd —

Sold to John Gorham

10 men's suits	7.00	70.00	
10 men's suits	6.50	65.00	$135.00

— 2nd —

Sold to Larson & Anderson

5 boys' suits	2.75	13.75	
10 men's suits	6.50	65.00	78.75

— 2nd —

Sold for cash

Men's clothing		37.50

— 3rd —

Sold to Tallman & Co.

15 men's overcoats	7.25	108.75	

— 3rd —

Paid 1 month's rent, Ck.

No. 1		75.00

— 3rd —

Received from John Gorham

Cash on account		150.00

— 4th —

Bought from Carson & Scott

36 men's corduroy coats	3.00	108.00	
12 men's corduroy coats	3.50	42.00	150.00

Terms 2/10, 1/30, n/60

— 4th —

Deposited in 1st Nat. Bank 187.50

— 4th —

Sold to Harris & Rogers

12 men's corduroy coats	3.75	45.00	
5 overcoats	8.00	40.00	85.00

— 4th —

Received from Frank Weitz

Note at 30 days, 6%		234.00

— 5th —

Sent to D. Meyer & Bro. Ck.
No. 2 $150.00

— 5th —

Received from Henry James
Cash to apply on note 200.00
Cash for interest 1.75 $201.75

New note 30 days, 6% 150.00

— 5th —

Bought from Adler & Co.
50 men's suits 6.25 312.50
Terms 3/10, 1/30, n/60

— 5th —

Paid salesman's salary Ck.
No. 3 25.00

— 5th —

Drew for personal use Ck.
No. 4 50.00

— 7th —

Sold to Henry Ames
20 men's suits 7.50 150.00
10 boy's suits 2.75 27.50 177.50

— 7th —

Sold to Ackley & Son
10 boy's overcoats 3.00 30.00
10 boy's suits 2.75 27.50 57.50

— 7th —

Received from Clayton & Co.
Check to apply on acct. 200.00

— 7th —

Deposited in 1st Nat. Bank 401.75

— 7th —

Paid our note to H. Weir & Co.
Check No. 5 450.00

— 8th —

Sold to H. J. Andrews

10 men's overcoats	8.00	80.00	
12 men's corduroy coats	4.50	54.00	$134.00

— 8th —

Paid express on shipment from
Carson & Scott, Ck. No. 6 .90

— 8th —

Received from Henry Ames
Cash on account 165.00

— 8th —

Sold for cash
1 job lot boy's clothing 87.50

— 9th —

Deposited in 1st Nat. Bank 252.50

— 9th —

Received from bank, check of
Clayton & Co., protested
for non-payment.

Amount of check	200.00
Protest fees	2.50

— 10th —

Sold to Harris & Landis

10 men's overcoats	7.75	77.50

— 10th —

Sold to Frank Weitz

12 men's corduroy coats	3.75	45.00

— 10th —

Paid Carson & Scott

Check No. 7	147.00
Discount 2%	3.00

— 10th —

Paid electric light bill
Check No. 8 3.75

— 10th —

Received from Clayton & Co.
Cash to redeem protested
check $202.50

— 10th —

Inventory at close of business, Feb. 10

Men's clothing	1,898.75
Boy's clothing	1,247.75

Journal entries are to be made to get the accounts, as shown on Feb. 1st, recorded on the books. The transactions are properly entered in journal, cash book, sales book, and invoice register, and posted to ledger. The accounts in the general ledger are closed into trading, and profit and loss—the net profit is credited to proprietor's account—a trial balance is taken after the ledger is closed, and a balance sheet is made. Statements are prepared from sales and purchase ledgers, which agree with the balances of their controlling accounts. All accounts in the general ledger are properly ruled and balances carried forward.

JOURNAL

DATE			F.	DR.	CR.
Feb.	1	Cash			
		Bank	2	176520	
		Cash	✓	12500	
		Bills Receivable	3	85000	
		Henry James 35000	✓		
		David Traver & Co 2/15 50000	✓		
		Sales Ledger	4	112400	
		Frank Weitz 23400	1		
		John Gorham 15000	2		
		Geo. Golden 30000	3		
		Clayton & Co. 27500	4		
		Henry Ames 16500	5		
		Inventory	5	344000	
		Men's 224000	✓		
		Boy's 120000	✓		
		Bills Payable	6		65000
		Henry Weir & Co 45000	✓		
		A. Stein & Co 20000	✓		
		Purchase Ledger	7		67500
		D. Meyer & Bro. 15000	1		
		Altman & Sons 35000	2		
		Garson & Co. 17500	3		
		D. A. Hall, Prop. Net invest	1		597920

Opening Entry in Journal

JOURNAL

DATE			F.	DR.	CR.
Feb.	4	Bills Receivable	3	23400	
		Frank Weitz. Note 30 days Int. 6%	7		23400
		Sales Ledger	4		
	5	Bills Rec. – New note from H. James	3	15000	
		Bills Rec. 30 days, 6% in part payment of note now due.	3		15000
	9	Clayton & Co.	4	20250	
		Sales Ledger ck. of C & Co. protested	4		
		First Nat. Bk. ck. 200.00 protest fee 2.50	2		20250
	10	Trading a/c	14	390340	
		To Mdse. Inv. Inv. 2/1.	5		34400
		Purchases To date	9		463400
		Sales a/c To date	8	121900	
		Mdse. Inv. Inv. 2/10	5	314650	
		To Trading a/c	14		436550
		Profit & Loss	15	10375	
		To Rent	11		7500
		Salaries	12		2500
		Expense	13		375
		Trading a/c Trading profits	14	46210	
		Interest & Disct. earned	10	475	
		To Profit & Loss	15		46685
		Profit & Loss	15	36310	
		To D. A. Hall – Net profit	1		36310

SALES BOOK

DATE	CASH	SALES LEDGER	L.F.	NAMES	TOTAL SALES	MENS	BOYS
Feb. 1		142 50	6	D. A. Marcus & Son	142 50	142 50	
		52 50	7	H. A. Branch	52 50		52 50
2		135 00	2	John Gorham	135 00	135 00	
		78 75	8	Larson & Anderson	78 75	65 00	13 75
	37 50		✓	Cash Sales	37 50	37 50	
3		108 75	9	Fallman & Co.	108 75	108 75	
		85 00	10	Harris & Rogers	85 00	85 00	
7		177 50	5	Henry Ames	177 50	150 00	27 50
		57 50	11	Ackley & Son	57 50		57 50
8		134 00	12	H. J. Andrews	134 00	134 00	
9	87 50		✓	Cash Sales	87 50		87 50
10		77 50	13	Harris & Landis	77 50	77 50	
		45 00	1	Frank Weitz	45 00	45 00	
	125 00	1094 00	4	Sales Ledger	1219 00	980 25	238 75
			8	Cr. Sales	1219 00		

INVOICE REGISTER

NO.	L.F.	NAMES	DATE	TERMS	DUE	AM'T	MEN'S	BOY'S	PAYMENTS DATE	AM'T	DISC.	CK.
1	4	Carson & Scott	Feb. 4	2/10 1/30 n/60	Apr. 4	150 00	150 00		Feb. 10	147 00	3 00	7
2	5	Adler & Co.	5	3/10 1/30 n/60	5	312 50	312 50					
	9	Purchase Jr. Dr.				462 50	462 50					
	7	Purchase Ledger Cr.										

CASH

BANK DEPOSITS	PURCHASE LEDGER DISC.	PURCHASE LEDGER AM'T	PURCHASE LEDGER F.	SUNDRIES AM'T	SUNDRIES F.	TOTAL CASH		TOTAL CASH	SUNDRIES F.	SUNDRIES AM'T	SALES LEDGER F.	SALES LEDGER CASH P'M'T	SALES LEDGER DISC.	CASH SALES	BNK W'THDR'LS CK.	BNK W'THDR'LS AM'T
						123 00	Feb. 1st on hand		✓	125 00						
						150 00	Geo Golden				3	150 00				
							—2—									
150 00							Deposit	150 00								
						97 50	Cash Sales							37 50		
							—3—									
				75 00	11		Rent								1	75 00
						150 00	John Gorham				2	150 00				
							—4—									
187 50							Deposits	187 50								
							—5—									
		150 00	1				D. Meyer & Bro.								2	150 00
						201 75	Bills Receivable		3	200 00						
							Interest & Discount Paid from Henry James to apply on note.		10	1 75						
				25 00	12		Salesman's Salary								3	25 00
				50 00	1		D. A. Hall								4	50 00
							—7—									
						200 00	Clayton & Co.				4	200 00				
401 75							Deposit	401 75								
				450 00	6		Bills Pay. Weir & Co. Note								5	450 00
739 25		150 00		600 00		864 25	Forward	739 25		326 75		500 00		37 50		750 00

Columnar Cash Journal

CASH

BANK DEPOSITS	PURCHASE LEDGER DISC.	PURCHASE LEDGER AM'T	PURCHASE LEDGER F.	SUNDRIES AM'T	SUNDRIES F.	TOTAL CASH	Feb. 8th	TOTAL CASH	SUNDRIES F.	SUNDRIES AM'T	SALES LEDGER F.	SALES LEDGER CASH P'MT	SALES LEDGER DISC.	CASH SALES	B'NK W'THDR'LS CK.	B'NK W'THDR'LS AM'T.
739 25		150 00	✓	600 00	✓	864 25	Forward	739 25	✓	32 675	✓	500 00		97 50		750 00
				90	9		Purchases Exp. on Carson & Scott Shipment								6	90
						165 00	Henry Ames				5	165 00				
						87 50	Cash Sales							87 50		
							-9-									
252 50							Deposit	252 50								
							-10-									
	3 00	147 00	4				Carson & Scott								7	147 00
				3 75	13		Expense, Elec. Light								8	3 75
						202 50	Clayton & Co.				4	202 50				
991 75	3 00	297 00		604 65		1319 25	-10-	991 75		32 675		867 50		1250 00		901 65
				300 00	7		Purchases Ledger	297 00								
							Interest		10	3 00						
							Sales Ledger		4	867 50						
				991 75	2		Bank		2	901 65						
						327 50	Cash Balance			327 50						

SALES LEDGER

1

Frank Weitz

Feb.	1		J.	1			2	3	4	00	Feb.	4		J	2			2	3	4	00
	10		S.B.	1				4	5	00											

2

John Gorham

Feb.	1		J	1			1	5	0	00	Feb.	3		C.B.	1			1	5	0	00
	2		S.B.	1			1	3	5	00											

3

Geo. Golden

Feb.	1		J	1			3	0	0	00	Feb.	1		C.B.	1			1	5	0	00

4

Clayton & Co.

Feb.	1		J	1			2	7	5	00	Feb.	7		C.B.	1			2	0	0	00
	9		J	2			2	0	2	50		10			2			2	0	2	50

5

Henry Ames

Feb.	1		J	1			1	6	5	00	Feb.	8		C.B.	2			1	6	5	00
	7		S.B.	1			1	7	7	50											

Ledger

6

D. A. Marcus & Sons

Feb.	1		S.B.	1			1	42	50				

7

H. A. Branch

Feb.	1		S.B.	1				52	50				

8

Larson & Anderson

Feb.	2		S.B.	1				78	75				

9

Tallman & Co

Feb.	3		S.B.	1			1	08	75				

10

Harris & Rogers

Feb.	3		S.B.	1				85	00				

11

Ackley & Son

Feb.	7			S.B.	1				5	7	50												

12

H. J. Andrews

Feb.	8			S.B.	1				1	3	4	00											

13

Harris & Landis

Feb.	10			S.B.	1					7	50												

PURCHASE LEDGER 1

D. Meyer & Bro.

Feb.	5			C.B.	1				1	5	0	00	Feb.	1			J.	1			1	5	0	00

2

Altman & Sons

													Feb.	1			J.	1			3	5	0	00

3

Garson & Co.

									Feb.	1		J	1			1	75 00

4

Carson & Scott

Feb.	10	ck.	C.B.	2			147	00	Feb.	4		Inv.	1			150	00
	10	Disc.		2				3 00									
							150	00								150	00

5

Adler & Co.

									Feb.	5		Inv.	1			31	2 50

GEN'L LEDGER 1

D. A. Hall, Prop.

Feb.	5		C.B.	1			50	00	Feb.	1	Investment		1			5979	20
		Balance				629	230			10	Net Profit		2			363	10
						634	230									634	230
									Feb.	10						629	230

2

Bank

Feb.	1		J.	1		1	765	20	Feb.	9		J	2			202	50
	10		C.B.	2			991	75		10		C.B.	2			901	65
											Balance					1652	80
						2756	95									2756	95
Feb.	10	To Balance				1652	80										

Bills Receivable

Feb.	1	Henry James	1	✓		3	5	0	00	Feb.	5	J	1			1	5	0	00
		D Graves & Co.	1			5	0	0	00		5	C.B.	1			2	0	0	00
	4	Frank Weitz	2			2	3	4	00										
	5	Henry James	2			1	5	0	00										

Sales Ledger

Feb.	1	J	1			1	1	2	4	00	Feb.	4	J	1			2	3	4	00
	10	S.B.	1			1	0	9	4	00		10	C.B.	1			8	6	7	50
	9	J	2				2	0	2	50			Balance				1	3	1	9	00
						2	4	2	0	50							2	4	2	0	50
Feb.	10	To Balance				1	3	1	9	00											

Merchandise Inventory

Feb.	1	J.I.	1			3	4	4	0	00	Feb.	10	J	2			3	4	4	0	00
	10	J.C.	2			3	1	4	6	50											

Bills Payable

Feb.	7	C.B.	1			4	5	0	00	Feb.	1	Allein & Co.	1	✓		4	5	0	00
												Astein & Co	1			2	0	0	00

7

Purchase Ledger

Feb.	10	C.B.	2			3	0	0	00	Feb.	1	J	1			6	7	5	00
		Balance				8	3	7	50		5	Inv.	1			4	6	2	50
					1	1	3	7	50						1	1	3	7	50
												By Balance				8	3	7	50

8

Sales

Feb.	10	J	2		1	2	1	9	00	Feb	10	S.B.	1		1	2	1	9	00

9

Purchases

Feb.	5	Inv	1			4	6	2	50	Feb.	10	J	2			4	6	3	40
	8	C.B.	2						90										
						4	6	3	40							4	6	3	40

10

Interest & Discount

Feb.	10	J	2				4	75		Feb.	5	C.B.	1				1	75	
											10		2				3	00	
							4	75									4	75	

11

Rent

Feb.	3	C.B.	1				7	5	00	Feb.	10	J	2				7	5	00

12

Salaries

Feb.	5		C.B.	1			2500	Feb.	10		J	2			2500

13

Expense

Feb.	10		C.B.	2			375	Feb.	10		J	2			375

14

Trading a/c

Feb.	10	Inv. 1/1	J	2		3	4	40	00	Feb.	10	Sales	J	2		12	19	00
		Purchases		2		4	63	40				Inv. 31/0		2		3	14	65	50
		Profit & Loss		2		4	62	10											
						4	36	55	50							4	36	55	50

15

Profit & Loss

Feb.	10	Rent		2			75	00	Feb.	10	Trading	J	2		4	62	10
		Salaries		2			25	00			Int & Div.		2			4	75
		Expense		2			3	75									
		D. A. Hall		2		3	63	10									
						4	66	85							4	66	85

Statement of Sales Ledger Feb. 10th

1	Frank Weitz		45 00
2	John Gorham		135 00
3	Geo. Golden		150 00
4	Clayton & Co.		75 00
5	Henry Ames		177 50
6	D. A. Marcus & Sons		142 50
7	H. A. Banch		52 50
8	Larson & Anderson		78 75
9	Fallman & Co.		108 75
10	Harris & Rogers		85 00
11	Ackley & Son		57 50
12	H. J. Andrews		134 00
13	Harris & Landis		77 50
		1319 00	

Statement of Purchase Ledger Feb. 10th

2	Altman & Sons		350 00
3	Garson & Co.		175 00
5	Adler & Co.		312 50
			837 50

Balance Sheet, Feb 10th

	Assets			
	Cash			
	In Office	327.50		
	Bank	1652.80	1980 30	
	Accounts & Bills Receivable			
	Bills Rec.	884.00		
	Accts. Rec.	per Sales Ledger 1319.00	2203 00	
	Inventory			
	Merchandise		3146 50	
		Total Assets		7329 80
	Liabilities			
	Bills Payable	200.00		
	Accts. Pay.	per pur ledg. 837.50	1037 50	
		Total liabilities		1037 50
		Present Worth		6292 30
	Trial Balance Feb 10th			
1	D. A. Hall, Prop.			6292 30
2	Bank		1652 80	
3	Bills Receivable		884 00	
4	Sales Ledger		1319 00	
5	Merchandise Inventory		3146 50	
6	Bills Payable			200 00
7	Purchase Ledger			837 50
	Cash		327 50	
			7329 80	7329 80

Balance Sheet and Trial Balance of General Ledger

EXERCISES

16. The following transactions are recorded on the books of Parker and Hoadley, Omaha, Neb., wholesale dealers in tea and coffee. In recording these transactions use is made of the books and forms illustrated in this section.

January 2nd, 1909

A partnership is formed on this date between K. J. Parker and D. C. Hoadley for the purpose of conducting a wholesale tea and coffee business, in the name of Parker & Hoadley, the principal place of business to be Omaha, Neb. Parker invests $3,000.00 cash. Hoadley invests $2,000.00 cash. It is agreed that profits are to be shared on the basis of capital invested, capital to draw interest at 6%, and interest at 6% to be paid on withdrawals. The books are to be closed monthly and the profits divided between the partners. Hoadley is to assume the entire responsibility for the conduct and management of the business, for which he is to receive a salary of $150.00 per month, payable in installments of $75.00 on the 15th and 31st of each month.

Deposited in Western National Bank $5,000.00.

Withdrew from bank, Ck. No. 1 petty cash $25.00.

Bought from Leggitt & Co., New York, 30 chests Japan tea, 1,455# at .37½, 20 chests Oolong tea, 972# at .40; terms net 30, 2/10, f. o. b. N. Y.

Bought from Laughlin & Co., Chicago, 20 sacks Rio coffee, 1,020# at .22½, 20 sacks Java coffee, 985# at .25; 20 sacks Mocha coffee, 970# at .25; terms net 30, 2/10, f. o. b. Omaha.

Paid rent of store 1 month to James Roberts, Ck. No. 2, $60.00.

— 3rd —

Sold to Ames & Johnson, 92 12th St., on account, 3 chests Japan tea, 149# at .48; sack Rio coffee, 50# at .28; 1 sack Java coffee, 52# at .32.

Sold to Landis & Snow, So. Omaha, on account, 2 chests Oolong tea, 101# at .52; 1 sack Mocha coffee, 47# at .32; 2 sacks Rio coffee, 98# at .28.

Sold to J. C. Peters & Son, 267 Roberts St., 3 chests Oolong tea, 146# at .52, 5 sacks Rio coffee, 252# at .48.

Bought for cash from Harris & Co., 1 office desk and chair $4[illegible].00, gave Ck. No. 3 in payment.

— 4th —

Paid freight on coffee from New York by Ck. No. 4, 12.93.

Sold to Wright & Noble. 146 7th St.. 2 sacks Java coffee, 99# at .32; 2 sacks Mocha coffee, 101# at .32.

Sold to Hergis & Co., 84 Jackson St., 5 chests Japan tea, 248# at .48.

Sold to Winters & James, 92 Hastings St., 4 chests Japan tea, 201# at .48; 3 chests Oolong tea, 138# at .52; 2 sacks Java coffee, 97# at .32.

Sold for cash 1 sack Rio coffee, 47# at .28; 1 chest Japan tea, 45# at .48.

— 5th —

Sold to Cobb & Willet, 892 Park Av., 2 chests Japan tea, 92# at .48; 1 chest Oolong tea, 47# at .52; 1 sack Rio coffee, 44# at .28; 1 sack Java coffee, 45# at .32; 1 sack Mocha coffee, 43# at .32.

Sold to Young & Criger, 62 Watson St., 5 sacks Mocha coffee, 205# at .32; 3 chests Oolong tea, 127# at .52.

Bought from Japan Importing Co., San Francisco, 60 chests Japan tea, 2,700# at .36, f. o. b. Omaha, net cash; gave our note at 10 days without interest in payment.

Paid account of Leggitt & Co., less 2% discount, Ck. No. 5.

— 6th —

Ames & Johnson paid their account, less 2% cash discount.

Deposited cash received to date.

Sold to Wade & Francis, 92 Bluff St., 10 chests Japan tea, 448# at .48.

Paid for telegram—petty cash—.40.

Received check from Landis & Snow in full settlement of their account.

Sold to J. C. Peters & Son, 5 sacks Java coffee, 231# at .32.

Sold for cash 3 sacks Rio coffee, 127# at .28; 2 sacks Mocha coffee, 89# at .32; 3 sacks Japan tea, 131# at .48.

— 8th —

Deposited cash on hand, also check of Landis & Snow.

Sold to Ames & Johnson, 2 sacks Mocha coffee, 91# at .32; 2 chests Oolong tea, 87# at .52.

Sold to Wright & Noble, 3 chests Japan tea, 129# at .48; 1 chest Oolong tea, 42# at .52.

Paid for fuel by check No. 6 to Rogers Coal Co., 12.00.

Paid clerk's salary, check No. 7, 10.00.

Paid for labor, check No. 8, 16.50.

— 9th —

Sold to Watkins & Fish, 64 Prarie Av., 5 chests Oolong tea, 207# at .52.

Bought from Western Grocer Co., Chicago, 50 chests Oolong tea, 418# at .39; 20 sacks Rio coffee, 876# at .22¼; 10 sacks Java coffee, 434# at .25; 15 sacks Mocha coffee, 653# at .25; terms 30 days net, 2/10, f. o. b. Omaha.

Received from Wright & Noble cash in payment of our bill of Jan. 4th, less 2% cash discount.

— 10th —

Received from bank, check of Landis & Snow protested for non-payment, protest fees added 1.90.

Sent Laughlin & Co. our check No. 9 in payment of account

— 11th —

Sold to Raymond H. Moss, 182 Spring St., 5 chests Japan tea 217# at .48; 5 sacks Rio coffee, 214# at .28.

Sold to Watkins & Fish, 10 sacks Mocha coffee 424# at .32.

Cobb & Willet paid their account in full, deducting 2% for cash.

— 12th —

Deposited cash on hand.

Sold to Cobb & Willet, 5 chests Japan tea, 213# at .48.

Sold for cash, 2 sacks Rio coffee, 88# at .28.

— 13th —

Paid our note to Japan Importing Co., check No. 10.

Paid sundry office expenses from petty cash 3.60.

Sold to Wade & Francis 3 sacks Rio coffee, 123# at .28; 2 sacks Mocha coffee, 86# at .32.

Paid clerk's salary, ck. No. 11, 10.00.

Paid for labor, ck. No. 12, 16.50.

— 15th —

Paid ½ month's salary to D. C. Hoadley, ck. No. 13, 75.00.

1st. Balance cash, first charging petty cash expenditures as a cash payment.

2nd. Post purchase book, sales book, journal, and cash book.

3rd. Take a trial balance.

4th. Credit interest to partner's accounts.

5th. Take an inventory of stock on hand. The records show quantities purchased and quantities sold. When the same goods have been purchased at different prices, use the last price paid in figuring inventory.

6th. Close accounts into trading and profit and loss accounts.

7th. Distribute net profits to partners' capital accounts.

COMBINED ORDER AND SALES RECORD

17. Instead of keeping separate order and sales books, both records may be combined on one blank. This is accomplished by the use of order blanks provided with columns for the distribution of sales to the different departments. Before the order is filled these blanks are handled in the same manner as those without distribution columns. When filled, the amounts are extended in the proper columns and the invoice made. The orders are then filed in a binder, each day's orders being kept together, and postings made direct to customers' accounts. The footings are carried forward to the end of the month and totals posted to sales accounts. The original orders thus become a loose leaf sales book.

ABSTRACT OF SALES

18. When the order blank is used as a sales record, making a sales book with a record of a single sale to a sheet, it is somewhat inconvenient to determine from the footings the total sales for the day. This information is of considerable value, as a knowledge of what is being done from day to day is of importance to the principals of a business. Such a record is provided for by an abstract of sales on a separate sheet. This abstract should show total sales for each day, both cash and on account, divided by departments.

The blank may be made the same size as the order blanks, and filed in the sales binder at the beginning of the month. Sales are

recorded daily and footings carried forward to the end of the month, when the totals may be posted direct to the credit of the sales account in the general ledger. The totals of sales on account will be posted to the debit of the sales controlling account in the general ledger.

OUT FREIGHT

19. The proper treatment of freight paid on outgoing shipments is an important question in accounting. When goods are

DATE SOLD
TERMS
RATING
No. _____ Salesman _____
Sold to _____
Town and State _____
Ship by _____
FOLIO
DATE BILLED
LEDGER

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	AMOUNT	MEN'S	BOY'S
			AMOUNT FORWARD					

Combined Order and Sales Record

sold at delivered prices, the freight paid is one of the items of expense in selling the goods, and when the books are closed the account will be closed into profit and loss. However, in a wholesale business, freight is sometimes paid as an accommodation to the customer when the goods have been sold at f. o. b. prices. Although the amount should be added to the invoice it should not be credited to the sales account as this would be taking credit for a fictitious trading profit. Such an item should be made a special charge against the customer by means of a journal entry.

Customer Dr.
Sales Ledger Dr.
Out Freight Cr.

ABSTRACT OF SALES

MONTH of _____ 19___

DAY	ON ACCOUNT				CASH				GRAND TOTAL
	DEP'T. A	DEP'T B	DEP'T. C	TOTAL	DEP'T. A.	DEP'T B	DEP'T. C	TOTAL	
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									

CREDIT SALES ACC'TS DEP'T. A. CASH

c/c

DEP'T. B. CASH

c/c

DEP'T. C. CASH

c/c

TOTAL

DEBIT SALES LEDGER ACCOUNT

Abstract of Sales by Departments

SALES EXPENSE

20. In a wholesale or manufacturing business it is very desirable that the exact cost of selling goods be known. Broadly, this cost is covered under the general head of sales expense, but this is usually divided into several classes of expenditures. The segregation of the various items of sales expense is desirable for the purpose of determining the percentage of each. The items which properly belong in sales expense depend somewhat on the nature of the business. For example, traveling expenses are usually a direct sales expense, but in some businesses they may be chargeable to the cost of purchases. The items entering into sales expense of the average business are: advertising, salaries of salesmen, traveling expenses of salesmen, commissions paid on sales, cost of packing and shipping, out freight.

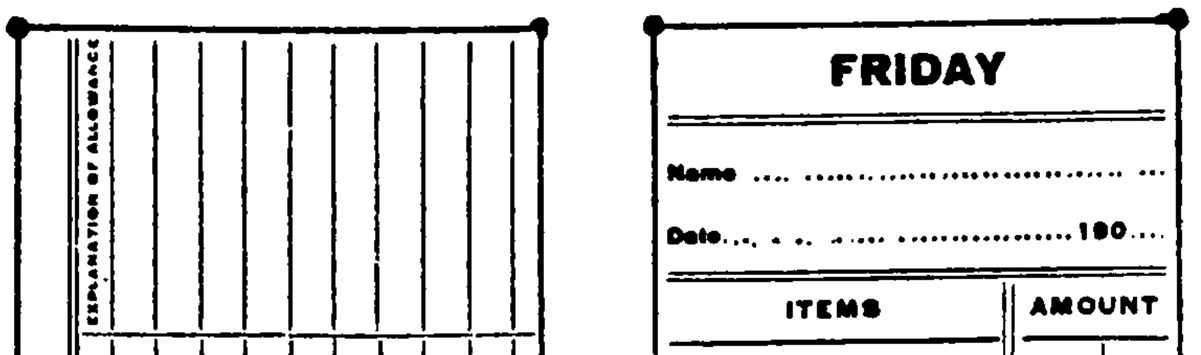
21. Advertising. This account should be charged with all expenditures for publicity such as newspaper, magazine, street car, and bill board advertising, cost of printing catalogs, booklets, and circulars. Where there is any reason for so doing, the cost of the different classes of advertising can, of course, be kept in separate accounts. The aim and object of advertising being to increase the sale of goods, it is properly considered an item of sales expense.

22. Salaries of Salesmen. This account is charged with all salaries paid to salesmen whether traveling or working in the house. Commissions and bonuses are sometimes included in this account, but it is usually considered best to keep them in separate accounts.

23. Traveling Expenses of Salesmen. This account is charged with all legitimate traveling expenses of salesmen, the specific items included depending largely on the nature of the business. For example, in some businesses a liberal allowance is made for the entertainment of customers, while in others this item is never allowed. In any business the traveling expense account requires careful scrutiny. Salesmen should be required to furnish an itemized statement or voucher of expenses at stated intervals. For convenience, this should be made on a form specially provided for the purpose. One of the most convenient and popular expense vouchers is in the form of a book of a convenient pocket size, with a page for each day of the week and a summary of the week's expenses on the last page.

24. Packing and Shipping. This account is charged with the

entire cost of packing goods for shipment. It includes such items as wages of shipping clerk and his assistants, crates, lumber, boxes, and all other packing materials.



Traveler's Expense Book

TRIAL BALANCE BOOK

25. To save rewriting the names of the accounts each month, a trial balance book can be used to good advantage. These books are made to accommodate six trial balances on a double page, and are sometimes made with alternate short leaves so that twelve trial balances may be made with one writing of the names. When the trial balance book is used, care must be exercised in providing space for the addition of new accounts in each section. Where separate sales and purchase ledgers are used, it is best to provide a trial balance book for each ledger.

THE CHECK REGISTER

26. Large check books are cumbersome to handle and necessitating the expenditure of much needless labor. Their use is rapidly giving way in modern offices to the check register. The check register has several distinct advantages. It exhibits, in compact form, a record of all checks issued and can also be arranged to show deposits and balance in the bank. Distribution columns can be provided with headings for the different expenditure accounts, which makes of the check register a cash expenditure book. The form should be varied to suit the business in which it is to be used. A typical form is illustrated on page 37.

27. Checks in Pads. When the check register is used it is the usual custom to have checks put up in pads. After the check is written, it is registered and numbered to correspond to the register

Trial Balance Book

CHECK REGISTER

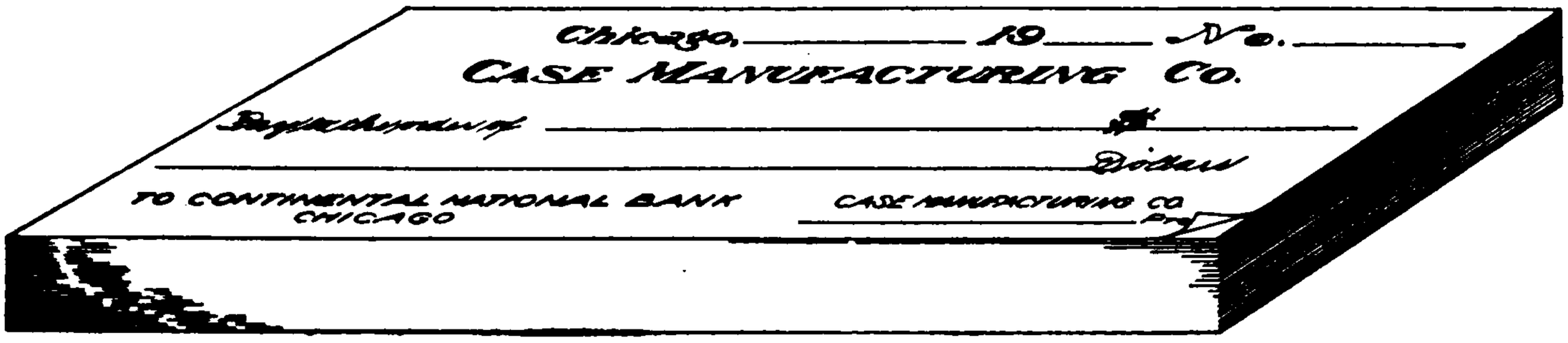
CK. NO.	DATE	TO WHOM	FOR	FOLIO	AMOUNT	PURCHASE LEDGER AMOUNT	PURCHASE LEDGER DISCOUNT	SUNDRIES	OUT FREIGHT	SALESMEN'S SALARIES	TRAVELING EXPENSE	MISC. SALES EXP.	IN FREIGHT	EXPENSE	DEPOS
		[illegible]	[illegible]												

CHECK REGISTER

CASH RECEIVED

DATE		ITEMS	FOLIO	SUNDRIES	SALES LEDGER FOLIO	SALES LEDGER DISCOUNT	SALES LEDGER CASH	CASH SALES	TOTAL	CREDIT
Feb.	11	Balance Forward	✓	327 50					327 50	
		D. A. Marcus & Son				2 85	139 65		139 65	
		Cash Sales	✓					75 00	75 00	
	12	John Gorham				2 70	132 30		132 30	
		Geo. Golden					150 00		150 0	
	13	Bank Deposit								824 45
	15	H. A. Branch					52 50		52 50	
		Larson & Anderson					78 75		78 75	
	16	Bank Deposits								131 25

number. With the use of padded checks, it is not necessary for the clerk who writes the check to know anything about the bank balance.



Checks in Pads

CASH RECEIVED BOOK

28. A cash book specially ruled for a record of cash received is used to supplement the check register or cash expenditure book. Columns are provided for the different classes of receipts, with one credit column. It is assumed that all cash received is deposited, payments being made exclusively by check. This does not refer to petty cash expenditures which should be kept in a petty cash book or on envelope vouchers.

SAMPLE TRANSACTIONS

29. The following transactions illustrate the use of the special blanks and books described.

D. A. Hall employs H. D. Snyder as traveling salesman for the purpose of increasing his business, agreeing to pay him a salary of $150.00 per month and expenses. He commences work on Feb. 11th. The amounts in the ledgers stand as shown in the last model set illustrated and these transactions are recorded:

— Feb. 11th —

Paid Altman & Sons
  To balance account
  Ck. No. 9 $350.00

— 11th —

Paid Garson & Co.
  To balance account
  Ck. No. 10 175.00

— 11th —

Sold to Daniels & Dean, Boone, Ia.

10 men's suits	$7.50	$75.00
10 men's suits	6.75	67.50
20 boys' suits	2.00	40.00
		182.50

Terms 2/10 N/30

— 11th —

Sold to A. C. Petersen, Nevada, Ia.

10 men's overcoats	8.50	85.00
10 men's suits	7.00	70.00
		155.00

Terms 2/10 N/30

— 11th —

Received from D. A. Marcus & Son

Cash	139.65
Discount 2%	2.85

— 11th —

Sold for cash

20 boys' suits	1.75	35.00
20 men's pants	2.00	40.00

— 12th —

Received from John Gorham

Cash	132.30
Discount 2%	2.70

—12th—

Sold to Henry Cook, Iowa Falls, Ia.

5 men's suits	8.00	40.00
5 men's suits	5.75	28.75
5 boys' suits	2.00	10.00
5 boys' suits	1.75	8.75
		87.50

Terms 2/10, N/30

— 12th —

Sold to James Adams, Dennison, Ia.

15 men's suits	7.00	105.00

Terms 2/10, N/30

— 12th —

Received from Geo. Golden
  Cash $150.00

— 13th —

Sold to D. A. Marcus & Sons
  10 men's pants 2.00 20.00
  10 boys' suits 1.75 17.50
  37.50
  Terms 2/10, N/30

— 13th —

Paid freight on shipment to
  Henry Cook
  Ck. No. 11 3.65
Charge to Cook

— 13th —

Deposited cash 824.45

— 13th —

Sold to S. H. Allen, Mason City, Ia.
  30 men's pants 1.75 52.50
  Terms 2/10, N/20

— 14th —

Paid Adler & Co.
  Ck. No. 12 303.12
  Discount 9.38

— 15th —

Sold to Marx & Sons, Charles City, Ia.
  10 boys' suits 2.00 20.00
  10 men's suits 7.00 70.00
  90.00
  Terms 2/10, N/30

— 15th —

Received from H. A. Branch
  Cash 52.50

— 15th —

Received from Larson & Anderson
  Cash 78.75

— 16th —

Paid H. D. Snyder
1 week's salary $37.50
Ck. No. 13

— 16th —

Paid H. D. Snyder
Traveling expenses 17.65
Ck. No. 14

— 16th —

Deposited cash on hand 131.25

— 16th —

Paid D. E. Jenkins
For cartage on shipments 2.50
Ck. No. 15

EXERCISE

1. Prepare a trial balance of the ledger as it would appear after posting these transactions.

2. Assuming that gross trading profits average the same per cent of selling prices as in former transactions of this business house, find approximate inventory at close of business Feb. 16th.

3. Prepare trading and profit and loss account, based on this inventory.

DATE SOLD 2/10 | TERMS 2/10 n/30 | RATING

No. 1 Salesman Snyder
Sold to Daniels & Dean
Town and State Boone, Iowa
Ship by Freight

FOLIO | DATE BILLED 2/11 | LEDGER

	SHIPPERS CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	10	10	Men's Suits		7.50	75 00
	10	10	" "		6.75	67 50
	20	20	Boy's "		2.00	40 00
						142 50 40 00
			AMOUNT FORWARD			

DATE SOLD 2/10 | TERMS 2/10 n/30 | RATING

No. 2 Salesman Snyder
Sold to A C Petersen.
Town and State Nevada, Iowa
Ship by Freight

FOLIO | DATE BILLED 2/11 | LEDGER

	SHIPPERS CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	10	10	Men's Overcoats		8.50	85 00
	10	10	" Suits		7.00	70 00
						155 00
			AMOUNT FORWARD			

DATE SOLD 2/11 | No. 3 | Salesman Hall | FOLIO

TERMS Cash | Sold to Cash Sale | DATE BILLED

RATING | Town and State | LEDGER

Ship by

	SHIPPERS CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
		20	Boy's Suits		1.75	35 00
		20	Men's Pants		2.00	40 00
			AMOUNT FORWARD			

DATE SOLD 2/11 | No 4 | Salesman Snyder. | FOLIO

TERMS 2/10 n/30 | Sold to Henry Cook | DATE BILLED 2/12

RATING | Town and State Iowa Falls, Iowa | LEDGER

Ship by Freight

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	5	5	Men's Suits		8.00	40 00
	5	5	" "		5.75	28 75
	5	5	Boy's "		2.00	10 00
	5	5	" "		1.75	8 75
						68 75 18 75
			AMOUNT FORWARD			

DATE SOLD 2/11 | TERMS 2/10 n/30 | RATING

No 5 Salesman Snyder
Sold to James Adams
Town and State Dennison, Iowa
Ship by Freight

FOLIO | DATE BILLED 2/12 | LEDGER

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
		15	Men's Suits		7.00	105 00
			AMOUNT FORWARD			

DATE SOLD 2/12 | TERMS 2/10 n/30 | RATING

No 6 Salesman Snyder
Sold to D. W. Marcus & Sons
Town and State City
Ship by

FOLIO | DATE BILLED 2/13 | LEDGER

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	10	10	Men's Pants		2.00	20 00
	10	10	Boy's Suits		1.75	17.50
			BROUGHT FORWARD			

DATE SOLD 2/13 | TERMS 2/10 n/30 | RATING

No. 7 Salesman Snyder
Sold to S. H. Allen
Town and State Mason City, Iowa
Ship by Freight

FOLIO | DATE BILLED 2/14 | LEDGER

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	30	30	Men's Pants		1.75	52 50
			AMOUNT FORWARD			

DATE SOLD 2/14 | TERMS 2/10 n/30 | RATING

No. 8 Salesman Snyder
Sold to Mann & Sons
Town and State Charles City, Iowa
Ship by

FOLIO | DATE BILLED 2/15 | LEDGER

	SHIPPER'S CHECK	QUANTITY	REGISTER NO.	WEIGHT	PRICE	SALESMEN MUST NOT USE THESE COLUMNS
	10	10	Boy's Suits		2.00	20 00
	10	10	Men's "		7.00	70 00
			AMOUNT FORWARD			

ABSTRACT
OF SALES

MONTH OF FEBRUARY

DAY	ON ACCOUNT			CASH		
	MEN'S	BOY'S	TOTAL	MEN'S	BOY'S	TOTAL
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11	29750	40000	33750	40	35000	75000
12	17375	10875	19250			
13	20000	17750	37750			
14	52250		52250			
15	70000	20000	90000			
16						
17						
18						
19						
20						
25						
26						
27						
28						
29						
30						
31						
TOTAL	61375	9625	71000	40000	35000	75000

L.F				
	CREDIT SALES ACCOUNT - MENS	CASH	40 00	
		a/c	61375	65375
		BOYS CASH	35000	
		a/c	9625	13125
		TOTAL		78500
	DEBIT SALES LEDGER			71000

Departmental Abstract of Sales

Check Register and Cash Expenditure Book

BANK DEPOSITS	CASH TOTALS	SHIPMENT LEDGER	SUNDRIES	DATE			L.F.	SUNDRIES	SHIPMENT EXPENSE	PURCHASE LEDGER	GEN'L EXPENSE	CASH TOTALS	BANK WITHDRWLS
	1000 00		1000 00	Nov.	1	1	John Doe Investment						
						"	Poultry Purchases	✓	36 00			36 00	
					2	✓	Richard Roe Shipt #1, Ctg. & Cap	1		2 25		2 25	
						✓	B & E. Purchases	✓	480 00			480 00	
					4	✓	Richard Roe Shipt #2, Frt.	2		2 98		2 98	
	47 73		47 73		5	1	Richard Roe Shipt #1 Acct Sales						
					6	✓	Labor	✓			9 00	9 00	
					4	✓	Richard Roe Shipt #3 Frt.	#		1 80		1 80	
	1047 73		47 73						516 00	7 03	9 00	532 03	
			1000 00										
			47 73		6	2	Shipt. Ledger	2	7 03				
						✓	Gen'l Expense	5	9 00				
							Cash Balance	✓	515 70				
			1047 73						1047 73				
	515 70			Nov.	6		Cash on hand	✓	515 70				

COMMISSION AND BROKERAGE BUSINESS

30. Commission or brokerage is the business of buying and selling goods for another. The commission merchant or broker acts in the capacity of agent, charging a stated per cent or commission for his services.

Certain commodities are sold on the market at the best prices obtainable, the prices depending upon the condition of the market—the supply and demand. Since it would be both inconvenient and unprofitable for each seller to accompany his own wares to market, he avails himself of the services of the commission merchant. The class of goods most largely dealt in by commission merchants is farm produce, shipped to the cities by both producers and country dealers.

The practice of shipping produce to the broker to be sold on commission is gradually falling into disuse. As the business is now conducted, the commission merchant buys the produce outright and takes his own chances of making a profit, and thus his business becomes also that of a wholesaler.

MERCHANDISE BROKER

31. Certain classes of merchandise are marketed through the medium of brokers styling themselves merchandise brokers. Their business is usually transacted on a larger scale than that of the ordinary commission merchant. The merchandise broker sells in large quantities—as salt by the car load.

The distinction between the commission merchant and the broker lies in the fact that the commission merchant has the goods to be sold actually in his possession, while the broker acts as agent for the purchase and sale of goods which he does not actually handle.

MANUFACTURER'S AGENT

32. One distinct class of brokers is the sales agent or manufacturer's agent. He is a broker who sells goods for the manufacturer, usually by sample. As a rule the manufacturer sets the prices and determines the terms of credit. The goods are sold in the name of the manufacturer who carries the accounts on his books, paying the agent a commission for his services. In some cases, however, the manufacturer's agent maintains his own warehouse, issues a warehouse receipt for the goods which are shipped to him, and even

advances money to the manufacturer. He then becomes virtually a commission merchant. He holds the goods as security for the money advanced, and, when sold, collects the money and remits the balance of the net proceeds the same as the ordinary commission merchant.

SHIPMENTS

33. When a principal sends goods to a commission merchant or broker to be sold on commission, it is called a shipment. As soon as the goods are sent, an account is opened with the shipment, and the shipment is designated by the name of the consignee, a number, or the name of the place—as *Shipment to Richard Roe.* If more than one shipment is made to a commission merchant an account should be opened for each one in order that the gain or loss can be determined for individual shipments. The separate accounts should be designated by number—as Richard Roe, shipment No. 2.

The shipment, when made, is entered in the same way as a sale, and the items are charged at cost price. The account is also charged with any expense incurred on account of the shipment. When the Account Sales is received, the account is credited with the net proceeds. It now shows either a profit or a loss which is transferred by a journal entry to an account called *Profit and Loss on Shipments.* This account is, in turn, closed into profit and loss when the books are closed.

If at the time of closing the books there are any outstanding shipments on which Account Sales have not been received, the debit balances represent assets the same as inventory of merchandise on hand.

34. Agents' or Factors' Account. If the Account Sales, when received, is accompanied by a remittance to cover net proceeds, cash is debited and the shipment account credited for the amount. When a remittance is not received with the Account Sales, the shipment account is credited with net proceeds and the amount is charged to a new account opened in the name of the consignee as *Agent* or *Bailee* or *Factor*—as *Richard Roe, Agent,* or *Richard Roe, Bailee,* which is treated as a personal account. This does not mean that Richard Roe is a debtor in the ordinary sense of the term, but that he holds funds in trust; and in case of his failure, the shipper could

recover full value instead of being obliged to accept his pro rata share of the assets.

A CONSIGNMENT

35. When a broker receives a shipment of goods to be sold on commission, it is known as a consignment. He opens a memorandum account by entering a list of the goods, but without extending any amounts. He has not purchased the goods, but simply holds them for sale as agent of the shipper. If there are any charges against the consignment, as freight, cartage, or storage charges, an account is opened in the name of the consignor. The title would be *John Doe's Consignment*, and if more than one consignment is received from John Doe a separate account is opened for each. This account is debited for all charges, and as sales are made they are credited to the account. When all of the goods have been sold, the broker renders the consignor a statement, known as an Account Sales, showing sales, expenses, and net proceeds.

If, when the books are closed, there are on hand any consignments, or parts of consignments, unsold, the consignment accounts are left open and represent either assets or liabilities. If expenses have been debited and no sales credited, the account will show a debit balance representing an asset. If sales have been credited in excess of the expense charges, the credit balance will represent a liability. When an Account Sales has been rendered, the account will balance, the net proceeds having been either remitted or credited to the consignor.

36. Principal's Account. If the broker remits the net proceeds at the time of rendering the Account Sales, he debits the consignment and credits cash, or bills payable as the case may be. But if he renders an Account Sales without remitting, he opens an account with the consignor, as *John Doe, Principal*, or *John Doe, Bailor*, and credits the account with the net proceeds, debiting the consignment account. The title of the account shows that he is not an ordinary debtor to John Doe, but that the amount of the credit represents funds belonging to John Doe and held in trust by the broker. In case of his failure the account of John Doe, Principal, would have to be paid before the claims of ordinary creditors.

37. Commission Account. All sums received by the broker for services rendered in connection with the sale of goods for a shipper are credited to a commission account. When the books are closed this account is closed into profit and loss.

PRODUCE SHIPPER'S BOOKS

38. The most common branch of the commission business is that of shipping and selling produce. The books used vary somewhat

1

SHIPMENT BOOK

DATE		TO WHOM		L.F.	POULTRY	BUT. & EGGS
Nov.	2	Richard Roe	220# Chicks 11½ 25.30	1		
		Shipt # 1	98# Duck 13 12.74		3804	
	3	Richard Roe	95 cs eggs 2850			
		Shipt # 2	doz @ 16 45600	2		45600
		Johnson & Sons	5 cs 150 dz 20 3000	3		3000
	4	Richard Roe, Shipt #3	200 lbs Turk 16, 3200	4	3200	
		Cr. Poultry	Shipments		7004	48600
		B. & C.	"		48600	
		Dr. Shipment	Ledger a/c		55604	

Two Column Shipment Book

from those used by a manufacturer's agent selling to jobbers, but the principles are the same.

Sometimes the same man conducts both the business of shipper and broker, buying certain goods which he in turn ships to other brokers to be sold for his account. In the produce commission business, however, the shipper is usually a buyer, located in the country, who buys produce from the farmer and ships to a commission merchant in the city.

The books required by the shipper are *purchase book*, *shipment book*, *shipment ledger*, *cash book*, *journal*, and *general ledger*.

39. Purchase Book. This book is of the same form as used in other businesses, with as many columns as may be desired to separate purchases of different classes of produce.

40. Shipment Book. This is the book of original entry for shipments in which each shipment is recorded in detail, showing each item, with prices (usually at cost) extended. The book can be ruled with columns for segregating shipments of different classes of produce. The total of each shipment is posted to the debit of the individual shipment account in the shipment ledger. The footings of the columns are carried forward to the end of the month when they are posted to the credit of shipment accounts in the general ledger. These general ledger shipment accounts are opened for each class of produce for which a separate record is desired, and correspond to the sale account of a mercantile business.

At the end of the month the total of all shipments is posted to the debit of a controlling account in the general ledger known as *shipment ledger account.*

If more than one class of produce is shipped to an agent at the same time it is best to make invoices for each, treating them as independent shipments. Each package should bear a number or other mark by which it can be identified as belonging to a particular shipment.

41. Shipment Ledger. An ordinary ledger can be used or a special form prepared. Since the debit side of the account will require much the greater amount of space, special forms are quite desirable. A convenient form is illustrated on page 55.

42. Cash Book. Tabular cash books with special arrangement of the column headings are used. The special features are the column on the credit side headed *shipment expense*, and the debit column headed *shipment ledger*. The shipment expense column is for the expenses paid on each shipment. Expenses are posted direct to the debit of the individual shipment accounts, and at the end of the month the total expense is posted to the debit of the shipment ledger controlling account. The shipment ledger column is for net proceeds remitted with account sales. The amounts are posted to the credit of shipment accounts, and the total is posted at the end of the month to the credit of shipment ledger controlling account.

The sundries column is for receipts other than remittances with account sales—as payments by agents who have not remitted with account sales.

43. *Shipment Ledger Account* This is the controlling account

QUANTITY	ITEMS	FOLIO	AMOUNT

BANK DEPOSITS	CASH TOTALS	SHIPMENT LEDGER	SUNDRIES	DATE	L.F.		L.F.	SUNDRIES	SHIPMENT EXPENSE	PURCHASE LEDGER	GEN'L EXPENSE	CASH TOTALS	BANK WITHDRWLS
	1000 00		1000 00	Nov. 1	1	John Doe Investment							
					✓	Poultry Purchases	✓	36 00				36 00	
				2	✓	Richard Roe Shipt #1, Ctg. & Cap	1		2 25			2 25	
					✓	B.H.E. Purchases	✓	480 00				480 00	
				4	✓	Richard Roe Shipt. #2, Frt.	2		1 98			1 98	
	47 73	47 73		5	1	Richard Roe Shipt #1 Acct Sales							
				6	✓	Labor	✓				9 00	9 00	
				4	✓	Richard Roe Shipt. #3 Frt.	4		1 80			1 80	
	1047 73	47 73	1000 00					516 00	7 03		9 00	532 03	
			47 73	6	2	Shipt. Ledger	2	7 03					
					✓	Gen'l Expense	5	9 00					
						Cash Balance	✓	515 70					
			1047 73					1047 73					
	515 70			Nov. 6		Cash on hand	✓	515 70					

of the shipment ledger. It is charged with total shipments through the shipment book; with advance expenses through cash book or journal; credited with net proceeds through cash book or journal. It must also be charged with profits on shipments, or it will not represent the total balance of shipment ledger.

When net proceeds are credited, the individual shipment account should be charged, through the journal, with the net profit, which is credited to *Profit and Loss on Shipments*. A special credit column is provided in the journal for profits, or if a record of profits on each class of produce is desired, two or more columns are provided. Monthly totals are posted to the credit of profit and loss on shipment account, or to more than one such account—as *profit on poultry, profit on butter and eggs, etc.* The total of all profit columns, which represents debits to shipment accounts, is charged to shipment ledger account.

It is to be supposed that losses will be few, and when one is incurred the entries should be made through the journal. The amount will be charged to profit and loss on shipment account and credited to both the individual shipment account and shipment ledger account.

44. Journal. As already explained, the journal should be provided with extra columns for profits on each class of shipment.

When an agent transmits an account sales without a cash remittance, the transaction must be journalized to close the shipment account. When proceeds are to be charged to his account, the entry is:

	Dr.	Cr.	Cr.
Richard Roe, Agt.	$160.00		
To Shipment Ledger			
Richard Roe Shipment No. 1		$160.00	
Richard Roe, Shipment No. 1	18.00		
To Profit and Loss on Shipments		$18.00	

If a note to cover net proceeds is received, the entry is the same except that Bills Receivable is debited instead of Richard Roe, Agt.

When a loss is incurred the entry is:

	Dr.	
Profit and Loss on Shipments	$18.00	
To Shipment Ledger Account		
Richard Roe Shipment No. 1		$18.00

and postings will be made direct to all accounts affected.

TREATMENT OF ACTUAL SALES

45. The shipper may sell a portion of his produce outright, and if a large share of his business is transacted in this manner, sales can be treated exactly the same as though he was not engaged in a commission business, with separate sales book and sales ledger.

Most shippers, however, will not find it necessary to segregate sales to this extent. Sales can be charged to shipment accounts in the shipment ledger, but will of course be charged at a profit, and credited to shipment account in general ledger. Payments on these accounts will be entered in the cash book as net proceeds.

SHIPPER'S TRADING ACCOUNT

46. The trading account of the shipper is made up somewhat differently than for a mercantile business where all sales are supposed to be entered at a profit.

If all his produce is sold through commission merchants, and the inventory of produce in stock exactly equals the difference between purchases and shipments, the account, *profit and loss on shipments* represents the trading profit. But this state of affairs seldom if ever exists. Either there will have been outright sales or a discrepancy will appear in the inventory. The latter is usually the case in a produce business, for some value will be lost owing to the perishable nature of the goods handled.

The trading account is charged with all purchases and inventory, if any, at beginning of the period, and credited with all shipments and inventory at end of period.

The trading account now exhibits the true trading profits with a complete segregation of profits from actual sales and commission sales. The inventory does not include outstanding shipments, these being treated as a separate item in the balance sheet.

TRADING a/c

To Purchases	$10,000	00	By shipments	$9,000	00
Profit on Sales	465	00	" Inventory	1,465	00
	$10,465	00		$10,465	00
			By Profit on Sales	$465	00

SAMPLE TRANSACTIONS

47. The following transactions, taken from the books of John Doe, shipper of poultry and butter and eggs, illustrate the books and accounts used.

— Nov. 1, 1908 —

Commenced business with a
cash investment of $1,000.00

— 1st —

Bought for cash
200# chickens @ .11½ 23.00
100# ducks @ .13 13.00

— 1st —

Bought from
Henry Meyers
400# turkeys @ .16 64.00

— 2nd —

Shipped to
Richard Roe, to be sold on my a/c
220# chickens @ .11½ 25.30
98# ducks @ .13 12.74

— 2nd —

Ctg. and Exp. on above
paid in cash 2.25

— 3rd —

Bought for cash
100 cs. eggs, 3,000 doz. @ .16 480.00

— 3rd —

Shipped to
Richard Roe to be sold on my a/c
95 cs. eggs, 2,850 doz. @ .16 456.00

3rd —

Sold to Johnson & Sons on a/c
5 cases eggs, 150 doz. @ .20 30.00

— 4th —

Shipped to Richard Roe to be sold
on my a/c 200# turkeys @ .16 $32.00

— 4th —

Paid freight on eggs to Roe 2.98

— 4th —

Paid freight on turkeys to Roe 1.80

— 5th —

Received from Richard Roe
Account Sales for Shipment No. 1
Net proceeds remitted in cash 47.73

— 6th —

Received from Richard Roe
Account sales for shipment No. 2
Net proceeds retained by him 518.12

— 6th —

Paid for labor
cash 9.00

1

SHIPMENT BOOK

DATE		TO WHOM		L.F.	POULTRY	BUT. & EGGS
Nov.	2	Richard Roe	220# Chucks 11½ 25.30	1		
		Shipt # 1	98# Duck 13 12.74		38.04	
	3	Richard Roe	95 cs eggs 2850			
		Shipt # 2	doz @ 16 45600	2		456.00
		Johnson & Sons	5 cs 150 doz 20 30.00	3		90.00
	4	Richard Roe, Shipt #3	200 lbs Turk 16, 32.00	4	32.00	
		Cr. Poultry	Shipments		70.04	486.00
		B. & E.	"		48.600	
		Dr. Shipment	Ledger a/c		55.604	

PURCHASE BOOK

DATE			L.F.	PURCHASE LEDGER POULTRY	PURCHASE LEDGER B.&E.	CASH POULTRY	CASH B.&E.
Nov.	1	Cash Purchases	c				
		200# Chickens @ 11½				23 00	
		100# Ducks " 13				13 00	
		Henry Meyers					
		400# Turkeys 16	1	64 00			
	3	Cash Purchases	c				
		100 Cs. 3 doz eggs 16					48 00
				64 00		36 00	48 00
				36 00	48 00		
	6	Dr Poultry Purch.	3	100 00			
		Dr B & E. Purch	4		48 00		
		Cr. Purchase Ledger	6	64			

1

JOURNAL

DATE						POULTRY PROFITS	B.& E. PROFITS
Nov.	6	Richard Roe, Agt.	11	51 84 2			
		Shipt. Ledger	2		51 84 2		
		R. Roe Shipt #2	2				
		Net proceeds					
		retained					
		Richard Roe, Shipt #2	2				
		To Profit & Loss on Shipt	7				59 14
	5	Richard Roe Shipt #1	1				
		To Profit & Loss on Shipt				7 44	
						7 44	59 14
	6	Shipt. Ledger Pc	2	66 58			
		To Poultry Profits	9		7 44		
		B & E. Profits	10		59 14		

Columnar Purchase Book and Journal

BANK DEPOSITS	CASH TOTALS	SHIPMENT LEDGER	SUNDRIES	DATE			L.F.	SUNDRIES	SHIPMENT EXPENSE	PURCHASE LEDGER	GEN'L EXPENSE	CASH TOTALS	BANK WITHDRW'LS
	1000 00		1000 00	Nov.	1	1	John Doe Investment						
						✓	Poultry Purchases	✓	36 00			36 00	
					2	✓	Richard Roe Shipt #1, Ctg. & Exp.	1		2 25		2 25	
						✓	B & E. Purchases	✓	480 00			480 00	
					4	✓	Richard Roe Shipt #2, Frt.	2		2 98		2 98	
	47 79		47 73		5	1	Richard Roe Shipt #1 Acct Sales						
						6	✓ Labor	✓			9 00	9 00	
					4	✓	Richard Roe Shipt #3 Frt.	4		1 80		1 80	
	1047 79		47 73	1000 00					516 00	7 03	9 00	532 03	
				47 73		6	2 Shipt. Ledger	2	7 03				
						✓	Gen'l Expense	5	9 00				
							Cash Balance	✓	515 70				
			1047 73						1047 73				
	515 70			Nov.	6		Cash on hand	✓	515 70				

PURCHASE LEDGER 1

Henry Meyers

								Nov.	1		C.B.	1		6400

SHIPMENT LEDGER 1

Richard Roe, Shipment #1.

Nov.	2	200# Chicks 11¢	1			2	30	Nov.	5		C.B.	1		47 73
		98# Ducks 13				12	74							
		Exp. C.B.	1			2	25							
	5	Profit f	1			7	44							
						47	73							47 73

2

Richard Roe, Shipment #2.

Nov.	3	95 Co. 2 Doz. eg. 16	1			456	00	Nov.	6		J.	1		518 12
	4	Exp. C.B.	1			2	98							
	6	Profit J.	1			59	14							
						518	12							518 12

3

Johnson & Sons.

Nov.	3	5 Co. 150 Doz. eg. 20	1			90	00							

4

Richard Roe, Shipment #3.

Nov.	4	200# Turks 16	1			32	00							
	4	Exp. C.B.	1			1	80							

GEN'L LEDGER

1

John Doe, Proprietor

										Nov.	1		C.B.	1			1	0	0	0	0	0

2

Shipment Ledger

Nov.	6		C.B.	1				7	03	Nov.	1		C.B.	1				4	7	73
	6		S	1			5	5	6	04		6	J	1				5	1	8	12
	6		J	1				6	6	58											

3

Poultry Purchases

Nov.	6		P.B.	1			1	0	0	0	0								

4

B. & E. Purchases

Nov.	6		P.B.	1				4	8	0	0								

5

General Expense

Nov.	6		C.B.	1					9	0	0								

6

Purchase Ledger

						Nov.	6		P.B.	1		64	00

7

Poultry Shipments

						Nov.	6		J	1		70	04

8

B. & E. Shipments

						Nov.	6		J	1		86	00

9

Poultry Profit & Loss

						Nov.	6		J	1		7	44

10

B & E. Profit & Loss

						Nov.	6		J	1		59	14

11

Richard Roe, Agt.

Nov.	6		J	1			5	18	12				

EXERCISE

48. On a certain date a trial balance of the ledger of Henry Donnely, shipper of produce, stood as follows:

DEBITS

Purchases of apples	$1,264.00
Purchases of potatoes	1,500.00
Shipment Ledger Account	736.00
Cash	450.00

CREDITS

Shipment Account—apples	1,200.00
Shipment Account—potatoes	1,200.00
Profit on Shipments—apples	250.00
Profit on Shipments—potatoes	350.00
Accounts Payable	950.00

During a subsequent period, his transactions were as follows:

Cash purchases of apples	1,000.00	
Cash purchases of potatoes	1,000.00	
Shipments of apples	900.00	
Shipments of potatoes	1,100.00	
Profits on apples	100.00	
Profits on potatoes	200.00	
Account Sales for which cash was received	1,800.00	
Account sales charged to Agts.	600.00	
Shipment Ledger Account decreased	100.00	
Sundry expenses paid in cash	50.00	
Inventory at end of period		
Apples	210.00	
Potatoes	190.00	400.00

Prepare trading and profit and loss accounts showing net profits or losses on both apples and potatoes for the entire period represented by the accounts.

COMMISSION MERCHANTS' BOOKS

49. The books required by a produce commission merchant are *receiving book*, *cash book*, *consignment ledger*, *sales book*, *sales ledger*, *journal*, and *general ledger*. If he buys produce to be sold on his own account, he also requires a *purchase book* and *purchase ledger*.

50. The Receiving Book. This is usually a rough blotter with ordinary day book ruling, though some merchants use special forms.

When a consignment is received it is given a lot number and entered in this book in the name of the shipper, but without extending the amounts. If any expenses have been incurred, an account is opened immediately in the consignment ledger in the name of the shipper.

51. The Cash Book. On the credit side of the cash book, under the general heading *consignment ledger*, are three columns, headed *net proceeds*, *expense*, and *commission*. The commission column is a memorandum column only, the total being posted, at the end of the month, to the credit of commission account in the general ledger.

Net proceeds, expense, and commission on each consignment are posted as separate items to the debit of that particular consignment account. At the end of the month, the total of these three columns is posted to the debit of consignment ledger account in the general ledger.

52. Sales Book. The sales book is provided with special columns for sales and consignment sales. The sales column represents sales of the merchants' own goods, the totals being posted at the end of the month to the credit of sales account in the general ledger and to the debit of the sales ledger account.

The consignment sales are listed by lot number and posted to the credit of the consignment accounts. As the lot numbers run consecutively in the receiving book, this furnishes an index to the consignment accounts. The totals of the consignment sales columns are posted to the credit of consignment ledger account, and the consignment ledger column is posted to the debit of sales ledger account.

53. Consignment Ledger. This ledger contains accounts with every consignment received. The accounts are *charged* with expenses, net proceeds, and commissions from the cash book, and *credited* with sales from the sales book. If a remittance is not sent with the Account Sales, the necessary entry is made in the journal;

charging both consignment account and consignment ledger account and crediting the shipper as principal—or bills payable account when a note is sent.

54. Consignment Ledger Account. This is a controlling account which receives its debits and credits from the same sources as do the consignment accounts. Except in the case of journal entries, totals only are posted at the end of the month.

PURCHASE AND SALE OF OWN GOODS

55. When the commission merchant is also a wholesaler, the purchases and sales are treated on the books exactly as they would be if he was not a commission merchant. The books and accounts required are the same as those of any other wholesale merchant.

SAMPLE TRANSACTION

56. The following transactions include the shipments used in the last model set, but treated from the standpoint of the commission merchant.

— Nov. 3, 1908 —

Received from John Doe to be
sold for his account:
220# chickens
98# ducks
Lot No. 1

— 4th —

Received from John Doe to be
sold for his account
95 cs. eggs, 2,850 doz.
Lot No. 2.

— 4th —

Sold for cash
100# chickens (Lot 1) @ .16 $16.00

— 4th —

Sold to Sweet & Co. for cash
110# chickens (Lot 1) @ .16 17.60

— 4th —

Sold for cash
100# ducks (Lot 1) @ .17¼ 17.25

— 4th —

Paid expense on lot #1 $1.60

— 4th —

Rendered Account Sales, with
remittance for Lot #1, commission 3%.

— 5th —

Sold for cash
20 cs. eggs., 600 doz., @ .18 (Lot 2) 108.00

— 5th —

Sold to Gaston & Co., 156 Hammond St.
20 cs. eggs., 600 doz., @ .20 (Lot 2) 120.00

— 5th —

Sold to Francis & Gates, 948 37th St.
30 cs. eggs, 900 doz., @ .19 (Lot 2) 171.00

— 5th —

Sold to H. B. Niles, 364 Fuller Ave.
25 cases eggs, 750 doz. @ .19 (Lot 2) 142.50

— 5th —

Paid expense on Lot #2 7.13

— 5th —

Rendered account sales for
Lot #2, commission 3%, crediting
amount to shippers' account.

— 5th —

Received from John Doe to be
sold for his account
200# Turkeys
Lot #3

— 5th —

Paid expense on Lot #3 1.25

RECEIVING BOOK

DATE		LOT NO	FROM
Nov.	3	1	John Doe
			220# Chickens
			98# Ducks
	4	2	John Doe
			95 cs. eggs 2850 doz.
	5	3	John Doe
			200# Turkeys

JOURNAL

Nov.	5	John Doe, Lot #2	2	53427	
		Consignment Ledger	2		
		To John Doe, Principal	3		51812
		" Commission 4%	4		1625
		Net proceeds Lot 2			

SALES BOOK

DATE			L.F.	LOT NO.	TOTAL	CONSIGNMENT SALES CASH	CONSIGNMENT SALES LEDGER	SALES CASH	SALES LEDGER
Nov.	4	Cash Sales		0					
		100# Chicks. @.16	1	1	1600	1600			
		110# " .16	1	1	1760	1760			
		100# Ducks .17½	1	1	1725	1725			
	5	Cash Sales	4						
		20 cs. Good eggs .18		2	10800	10800			
		Gaston & Co. 156 Hammond	3/1						
		20 cs. Good eggs .20		2	12000			12000	
		Francis & Gates 940-37th St.	3/2						
		30 cs. good eggs .19		2	17100			17100	
		H.B. Miles 364 Fuller ave	2/3						
		25 cs. 750 doz. eggs .19		2	14250			14250	
		Cr. Consignment Ledger	2		59235	15885		43350	
		Dr. Sales Ledger Tc.	1		43350				

Commission Merchant's Receiving Book, Journal and Sales Book

CASH BOOK

SALES LEDGER	CASH	DATE		L.F.	CASH	CONSIGNMENT LEDGER COMM'S'N	CONSIGNMENT LEDGER EXPENSE	CONSIGNMENT LEDGER NET.PRO.	PURCHASE LEDGER	EXPENSE
	16 00	Nov. 4	Cash Sales	✓						
	17 60		" "	✓						
	17 25		" "	✓						
			John Doe, Lot 1	1	1 60		1 60			
			John Doe, Lot 1	✓						
			Commission 3%	1		1 52		47 73		
			Net proceeds	1	47 73					
	108 00	5	Cash Sales	✓						
			John Doe, Lot 2	2	7 13		7 13			
			John Doe, Lot 3	3	1 25		1 25			
			Balance	✓	101 14	1 52	9 98	47 73		
158 85					158 85					
		5	Cr. Commission A/c	4	1 52					
		5	Dr. Consignment Ledger	2	59 23					
	101 14		Cash Balance	✓						

CONSIGNMENT LEDGER 1

John Doe, Lot 1

Nov.	4	Ex.		CB.	1				1	60	Nov.	4		SB.	1			1	60 00
	"	Com.			"				1	52		4			"			1	7 60
	"				"				4	73		4			"			1	7 25
									5	85								5	85

2

John Doe, Lot 2

Nov.	5	Ex.		CB.	1				7	13	Nov.	5		SB.	1			10	80 00
		Com.		J.	1				16	25		"			"			12	00 00
		N.P.			"				51	812		"			"			17	100
												"			"			14	250
									54	150								54	150

3

John Doe, Lot 3

Nov.	5	Ex.		CB.	1				1	25									

SALES LEDGER 1

Gaston & Co., 156 Hammond

Nov.	5			SB.	1				1	20 00									

2

Francis & Gates, 940-37th St.

Nov.	5			SB.	1				1	71 00									

3

N.B. Niles, 364 Fuller Ave.

Nov.	5			SB.	1				1	42 50									

GENERAL LEDGER

1

Sales Ledger a/c

Nov.	5		S.B.	1			43	50											

2

Consignment Ledger

Nov.	5		C.B.	1			59	23	Nov.	5		L.B.	1			59	35		
			J	1			53	37											

3

John Doe, Principal

									Nov.	5		J.	1			51	12		

4

Commission a/c

									Nov.	5		J	1				16	25	
										5		C.B.	1				1	52	

EXERCISE

57. During a certain period a commission merchant transacted the following business:

Purchased goods on his own account	$3,000.00
Sold goods on commission	5,000.00
Sold his own goods	2,500.00
Commissions earned	150.00
Received cash for goods sold	6,250.00
Paid expenses on consignments	37.50
Rendered account sales with which cash was remitted to cover net proceeds	2,712.50
Rendered account sales on which net proceeds were credited to the account of principals	2,000.00
Paid cash on account of goods purchased	2,200.00
Paid cash for sundry expenses	75.00
Inventory of goods owned at the close of the period	800.00

Prepare trading and profit and loss accounts and balance sheet.

STORAGE

58. Storage, as here used, is the business of furnishing storage for merchandise on its way to market until such time as it is sold and delivered to the purchaser. The source of supply and customs of the trade in certain classes of merchandise render the question of storage an important one. This is particularly true of the grain trade. Large buyers of grain, located in important distributing centers which have become the principal grain markets owing to their manufacturing or transportation facilities, locate their buyers in the grain producing sections to buy grain from the producers. At these points are located small grain handling plants or elevators, where the grain is received from the farmers and shipped to the distributing centers.

Here, extensive storage facilities must be provided, that these shipments, aggregating enormous quantities of grain, may be held until the condition of the market is favorable for selling. If it were not for this custom of storage it would be necessary to market all of the grain—except the small quantities stored by the farmers—soon after harvest, which would result in lowering prices to all concerned, from the farmer up.

These conditions have resulted in the organization of warehousing companies to provide storage for the owners. When grain, or other classes of merchandise, is received for storage a warehouse receipt is issued, and the merchandise will not be delivered without the presentation of the receipt. Warehouse receipts are negotiable and since they are evidence of the ownership of certain merchandise stored in a warehouse, bankers will loan money to the owner and accept the warehouse receipt as security.

Manufacturers and jobbers of certain products also find it necessary to store large quantities of their wares at distributing centers that they may promptly supply the trade. Another reason for this practice is a financial one. When a manufacturer exchanges his wares for a warehouse receipt, he can immediately borrow on its security, thus securing capital to carry on his business until the regular selling season for his particular product.

The merchandise broker and manufacturers' agent sometimes have their own warehouses and combine the business of buying and selling with that of storage and, if they possess sufficient capital, advance money to the manufacturer.

Perishable products handled by the produce commission merchant are also stored in cold storage warehouses, both to preserve them and to hold for more favorable market conditions.

STORAGE ACCOUNTS

59. Storage charges are usually based on a 30 day period, though sometimes for shorter periods, and any period less than a full month is charged for at the 30 day rate.

The storage is frequently charged for the exact time that goods are in the warehouse, that is, the amount is figured for each amount withdrawn. The following example demonstrates this, storage being charged on each quantity withdrawn at the rate of 10c per case per month.

Received			Delivered			Time	Rate	Amount	
Nav.	15	600 cs. eggs	Dec.	10	100 cs.	1 mo.	10c	10	00
			Jan.	6	300 cs.	2 mo.	20c	60	00
			Feb.	14	200 cs.	3 mo.	30c	60	00
					Total			130	00

This is known as simple storage.

Another method is to charge storage for the average time at a given rate per month of 30 days. This method is most commonly used when receipts and deliveries are frequent, and is called average storage. The following example demonstrates the method.

Date		Receipts	Deliveries	Balance	Time	Quantity Stored for One Day
Nov.	15	600 cs.		600 cs.	15 da.	9,000 cs.
Nov.	30	200 "		800 "	10 da.	8,000 "
Dec.	10		100 cs.	700 "	27 da.	18,900 "
Jan.	6		300 "	400 "	39 da.	15,600 "
Feb.	14		200 "	200 "	10 da.	2,000 "
Feb.	24		200 "	000 "		
		800	800			30)52,500
					Average for 1 mo.	1,750

1,750 cs. @ 10c $175.00 (Amt. of charges)

SPECIAL RECORDS REQUIRED

60. One of the most important records required is a storage record showing receipts and deliveries. A special form is necessary and should be adapted to the requirements of the particular class of storage business in which it is to be used.

The form illustrated is typical in that it provides for a record of storage of any class of goods handled in packages. The storage charges are always shown so that a statement of the account can be made at any time. At the end of each month the storage charges extended during the month are debited, through the journal, to the personal accounts of the owners. The total of all such storage charges is credited to a *storage account* in the general ledger.

When there are frequent receipts and deliveries, the owner should be given a detailed statement showing all changes in quantities and storage charges. Such a statement should be a transcript of the storage record. The form illustrated answers the requirements of simple storage.

RECEIPTS												DELIVERIES							
DATE		LOT NO.	W. H. RECEIPT NO.	PACKAGES						WEIGHT	ROOM NO.	DATE		LOT NO.	TO WHOM	WEIGHT	BALANCE	TIME	RATE	AMOUNT
				Bx's	Bbls	C's.	Crt.	Tubs												

Chicago_____ 19_____

M _____

_____

To NATIONAL STORAGE CO. Dr:

LOT NO.	IN	OUT	ARTICLE	QUANTITY	TIME	RATE	AMOUNT	TOTAL

Statement of Storage Charges

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